

Mr. KENNEDY. Mr. President, have the yeas and nays been ordered on the amendment?

The ACTING PRESIDENT pro tempore. The yeas and nays have been ordered.

The question is on agreeing to amendment No. 443.

The clerk will call the roll.

The assistant legislative clerk called the roll.

The result was announced—yeas 76, nays 24, as follows:

[Rollcall Vote No. 111 Leg.]

YEAS—76

Akaka	Dorgan	Murkowski
Allard	Durbin	Murray
Allen	Edwards	Nelson (FL)
Baucus	Feinstein	Nelson (NE)
Bennett	Fitzgerald	Reed
Biden	Graham	Reid
Bingaman	Gramm	Roberts
Boxer	Grassley	Rockefeller
Breaux	Harkin	Santorum
Brownback	Hatch	Sarbanes
Bunning	Hollings	Schumer
Burns	Hutchison	Sessions
Cantwell	Inhofe	Shelby
Carnahan	Inouye	Smith (NH)
Carper	Johnson	Smith (OR)
Chafee	Kerry	Snowe
Cleland	Kohl	Specter
Clinton	Landrieu	Stabenow
Cochran	Leahy	Stevens
Conrad	Levin	Thompson
Corzine	Lincoln	Torricelli
Daschle	Lugar	Voinovich
Dayton	McCain	Warner
DeWine	McConnell	Wellstone
Dodd	Mikulski	
Domenici	Miller	

NAYS—24

Bayh	Enzi	Kennedy
Bond	Feingold	Kyl
Byrd	Frist	Lieberman
Campbell	Gregg	Lott
Collins	Hagel	Nickles
Craig	Helms	Thomas
Crapo	Hutchinson	Thurmond
Ensign	Jeffords	Wyden

The amendment (No. 443) was agreed to.

RESTORING EARNINGS TO LIFT INDIVIDUALS AND EMPOWER FAMILIES (RELIEF) ACT OF 2001

The PRESIDING OFFICER (Mr. ALLEN). Under the previous order, the Senate will proceed to the consideration of H.R. 1836, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (H.R. 1836) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

The PRESIDING OFFICER. Under the previous order, the Senator from West Virginia, Mr. BYRD, is recognized to speak for up to 30 minutes, with the time not being charged to the reconciliation bill.

Mr. KENNEDY. Mr. President, may we have order so the Senator from West Virginia can be heard. This is an enormously important issue and the Senator has thought long and hard about it. The Senator is entitled to be heard.

The PRESIDING OFFICER. The Senate will be in order. Senators will take their conversations off the floor.

The Senator from West Virginia.

Mr. BYRD. Mr. President, I thank the very distinguished Senator from Massachusetts for his thoughtfulness, his consideration. I thank the Chair. I also thank those Senators who are listening, even though they may not be in this Chamber. I thank the majority leader for arranging for me to have this time without its being charged against the time on the reconciliation bill.

Mr. President, the day before yesterday, Americans turned on their television sets to see live coverage of a runaway freight train traveling through northwestern Ohio. I saw it. Many of you saw it. Nobody was at the controls and officials were failing in their attempts to stop the train. To make matters worse, the train was carrying toxic chemicals. News stations were bracing for disaster. The safety mechanisms put into place to prevent such a scenario were not working. Local and emergency personnel were left simply to block highway intersections, to issue warnings, and to let the runaway train rumble through, endangering the environment, endangering the infrastructure of whatever cities or small towns happened to be in the way, and endangering the lives of citizens.

Mr. President, the Senate, today, faces its own runaway train. These tax cuts have been on the fast track since they were first proposed in the snows of New Hampshire during last year's campaign. A budget resolution was rushed through this body to authorize this tax cut bill, bypassing the Budget Committee, and without the benefit of the President's detailed budget, or any analysis from the Joint Tax Committee, or the Congressional Budget Office. Senate Democrats were then excluded from the conference committee to further expedite the process.

Mr. President, I was talking with one of our new Members about the concurrent resolution on the budget, and about the fact that the members of the Budget Committee representing the minority were excluded. This was a relatively new Member in this Senate. He said, "I was disturbed by that." But he said, "The Democrats did it when they were in power. That is what they tell me."

Mr. President, not a word by those who say that was done by the Democrats when they were in control—not a word—is true. The Democrats, when they were in control, never excluded the then minority from the conferences or from the committees with respect to the budget. I was majority leader and it was not in my makeup; it would be totally alien to me to exclude the minority, when I stand up so many times, as I have over the years, to say that the Senate is the protector of minorities, the Senate protects the minority's rights.

I have read about those tales told by some Senators—often, the aides of the minority—who are presently in the minority who said: Well, BYRD did this; BYRD did this. Those Members were not

even in the Senate when BYRD was majority leader. They were not here. Three-fifths of the Senate makeup today were not here when Byrd was majority leader, were not here when Senator Mansfield was majority leader, were not here when Lyndon Johnson was majority leader. So much for that.

The safety mechanisms that the Senate put into place to prevent such a reconciliation disaster have been disabled, and there seems little anyone can do but issue warnings, and watch the train rumble through, endangering our Nation's infrastructure investments and our Nation's fiscal soundness.

The tax cuts that are involved here—and let me say parenthetically that I like to vote for tax cuts. Over the 55 years I have been in public office, I have voted for a several tax cuts, and it is always a great pleasure to do that.

Let me say this. I respect every Senator in this body, no matter if he disagrees with me, no matter if he votes for this tax cut. I respect his or her decision on that matter. I found when I was majority leader, that the Senator who hurt me today by his vote saved me tomorrow. I say what I say today with great respect.

I am not against all tax cuts, but I am against this one, this colossal tax cut that is based on projections over 10 years away when we cannot even project the economy 1 year away or 6 months away. It is like the weather. These things are really unpredictable.

This is a tax cut that threatens to ignite an explosion in the national debt and blow up the economy as resources are squandered and long-term problems are ignored.

Mr. President, a few days ago, the Senate passed the FY 2002 budget resolution, and even before Senators had voted, there was little reason to believe that this body would abide by the revenue levels set forth in that budget resolution. Senators were openly talking about how tax cuts would exceed those authorized in the budget resolution.

In other words, Mr. President, that budget resolution was a sham. Its primary purpose was to authorize a reconciliation bill by which this body would pass a massive tax cut bill that could not be passed as a free standing bill. This \$1.35 trillion tax cut could not be passed in this Senate as a free-standing bill.

Section 103 of the FY 2002 budget resolution allows the Republican leadership to bring this massive \$1.35 trillion tax cut bill to the floor as a reconciliation bill. And why is it so important to that leadership? Because section 103 permits the Republican leadership to bring the tax cut bill to the floor with, at most, 20 hours of debate. And reconciliation allows time to be yielded back on a nondebateable motion. Section 103 makes sure that the bill cannot be filibustered. So section 103 makes sure that 51 votes will be enough to pass the tax cut bill.

In other words, Mr. President, the most important feature of the budget

resolution for the Republican leadership was the provision that allows the leadership to muzzle debate on a bill that will change the fiscal landscape of this Nation for a generation and by so doing, to thwart the will of the minority in this Senate.

Under our Constitution, under our Senate rules and precedents, under our laws, it is the Senate that is supposed to ensure that complex bills have a thorough debate. The people are entitled to that. Yet, this tax bill will not get the debate that it so richly deserves. In all likelihood, it will be passed before midnight of this black day.

Under the Congressional Budget Act, reconciliation bills are limited to 20 hours of debate. The 20 hours can be reduced by a nondebatable motion. We have a \$5.6 trillion gross debt, \$20,062 for every man, woman, boy, and girl in this country; to put it another way, it represents \$929 for every man, woman, boy, and girl in the world; \$929 for every man, woman, boy, and girl in the world! The budget resolution and this \$1.35 trillion tax bill will result in an increase in that gross debt to \$6.7 trillion in 2011, or over \$22,000 per person in this country.

Was that budget resolution a disciplined plan for tax policy? No. It squandered potential surpluses on a \$1.35 trillion tax cut that is conveniently drafted to have exploding costs in the outyears.

I probably will not be here. Many of us will not be here when that time comes in the outyears. Some Senators will be defeated—mark my word—because of the votes they will cast on this bill.

Over 61 percent of the revenue losses contained in the tax cut bill will come in the second 5 years of the 10-year plan. Tax reductions grow from \$10 billion in fiscal year 2001 to \$186 billion in fiscal year 2011. The Center on Budget and Policy Priorities estimates that in the second 10 years—get this—in the second 10 years, from 2012 to 2021, the key years when Social Security will be in jeopardy—hear me now, you elderly citizens; hear me, you young people whose parents will become elderly, who may be already elderly and when you, too, will become elderly, if God blesses you to live long enough—the key years when Social Security and Medicare will be in jeopardy, the revenue losses will total \$4.1 trillion.

How long does it take to count a trillion dollars at the rate of \$1 per second? Thirty-two thousand years!

This is a bear trap. This bill could just get 10 hours of debate. If the majority wishes to yield back its time, the minority will have 10 hours. It is that plain and simple. So why do we have a reconciliation bill process that limits debate? What was the common good that warranted our sacrificing our tradition of full debate in this Senate?

I helped to craft the Congressional Budget Act of 1974. I can assure Senators that the authors of that act did

not intend the reconciliation process to be used for a large tax cut. That was called the Budget Reform Act of 1974. Well, if it was called, as it was, the Budget Reform Act, surely it did not intend to be used to pass colossal tax cuts.

The intent in creating the House and Senate Budget Committees, the Congressional Budget Office, and the budget and reconciliation process was to assert Congress' prerogatives in the budget process. The Constitution vests in the Congress the power over the purse. That is a power for which our English forbears fought and spilled their blood at the point of the sword, to wrest from tyrannical monarchies the power of the purse and place it in the hands of the people's elected representatives in the House of Commons.

Yet, in the recent years before the passage of this Budget Act—I was here. I was here. I didn't just read about it; I was here; Senator KENNEDY was here; a few other Senators were here—in the recent years before the passage of the Budget Act, the power of the purse was being usurped more and more by the executive branch. There were deferrals of appropriations; there were rescissions of appropriations. Made by whom? The Chief Executive. And so Congress got its belly full of that and passed the reconciliation process. The Budget Reform Act was established.

The reconciliation process was established as a mechanism to make sure that the goals set out in the budget resolution were implemented through the spending and tax bills that followed. It allowed the Congress to establish enforceable reconciliation instructions on the authorizing committees so that both spending and revenue targets would be achieved. The reconciliation bill was intended to be a tool to reconcile any differences between those goals and the final bill. Most importantly, reconciliation provided a tool to deal with persistent budget deficits.

As a deficit-fighting tool, reconciliation has proved to be quite effective. Since 1980, reconciliation bills have been passed and signed into law 14 times, resulting in trillions of dollars of savings.

Regrettably, in recent years the Senate Republican leadership has chosen to take a course that has fostered political polarization. In 1999, a reconciliation bill was used to consider a \$792 billion omnibus tax cut, targeted to the wealthy, that would have slowed the progress on reducing the debt. It was vetoed. In 2000, the reconciliation process was again used for huge tax cuts and, again, the bill was vetoed.

The desire to limit the rights of Senators—and when we limit the rights of a Senator in the chair or the Senator from Massachusetts or the Senator from Georgia or the Senator from New Jersey or the Senator from Nevada or other Senators—we limit the rights of the people they represent. Limit my rights in this body and you limit 1.8

million West Virginians' rights in this body.

In both 1999 and 2000, the appropriations process ended with large omnibus appropriations conference reports that were unamendable and contained bills and issues that had never been before the Senate.

What are we doing to the Senate process? What are we doing to the legislative process? What are we doing to the rules and precedents of the Senate? We are ignoring them. We are making them irrelevant.

In the Consolidated Appropriations Act for fiscal year 2000, five appropriations bills were included, along with numerous non-appropriations bills such as a State Department Authorization bill, arms control compliance legislation, and Superfund recycling rules. Last year, three bills were included in the Consolidated Appropriations Act for Fiscal Year 2001 along with Medicare and Medicaid reforms and new tax legislation establishing new tax expenditures. One of those Appropriations bills, the Treasury/General Government Appropriations Bill had never been taken up in this Senate.

Now this is no way for the Senate to take care of the Nation's business. We should do better. All of us, majority and minority alike, should seek to protect the institution of the Senate. This Senate is going to be here long after the Presiding Officer has served his tenure here. The Senate will be here long after the Senator from West Virginia has been forgotten. This Senate will be here, it will stand. We should remember that the Senate is for the people, all the people, the people who are yet unborn. We hold their rights in our hand. We should not bend our rules to promote the partisan political goals of the moment.

In the 107th Congress, this Congress, we should insist on our rights as Senators for a full debate. Last year we took direct action to address the issue of omnibus appropriations containing matters that had not been before the Senate by reasserting rule XXVIII. I thank the majority leader and the minority leader and Senator STEVENS for joining with me in reasserting, reinstituting, rule XXVIII last year.

This year the Senate approved my amendment to the budget resolution to extend debate on the reconciliation bill to 50 hours and to limit the so-called vote-aramas by ensuring that amendments were printed in the CONGRESSIONAL RECORD for all Senators to see. Sadly, my amendment was dropped during the closed-door conference between the two Houses. Senators should have an opportunity at length to debate and to amend the tax cut legislation.

Why is the Republican leadership insisting on using the reconciliation process for tax cut legislation? What are they afraid of? The Republican leadership did not hide behind a reconciliation bill for President Reagan's tax cut. Senator Howard Baker was the

majority leader at that time. They didn't hide behind a reconciliation. They brought it up as a freestanding bill.

In 1981, President Reagan sent to Congress a large tax cut proposal and numerous proposals to cut spending. The Congress used the reconciliation process, the Omnibus Budget Reconciliation Act of 1981, to debate the spending cuts. The tax cuts, however, were fully debated as a freestanding bill, the Economic Recovery Tax Act, without depending on reconciliation. There were 118 amendments debated over 12 days. What a difference.

The American people elect their representatives to come to Washington to debate the issues that affect their daily lives. They did not elect Senators to be rubberstamped. That is why I say to every Senator, every new Senator: Remember one thing. You don't serve under any President. You serve with the President.

I have served with 11 of them, counting the current one. The Senate is not a quivering body of humble subjects who must obey. They only must obey the people who send them here. We should not short circuit debate on a bill that will hit home in the pocketbook for decades to come.

In the Federalist No. 10—there were 85 Federalist Papers, I urge Senators to read these Federalist Papers again. Let me read from the Federalist No. 10 by Madison. Listen to what he said and apply it to today's Senate:

Complaints are every where heard from our most considerate and virtuous citizens, equally the friends of public and private faith, and of public and personal liberty; that our governments are too unstable; that the public good is disregarded in the conflicts of the rival parties; and that measures are too often decided, not according to the rule of justice, and the rights of the minor party; but by the superior force of an interested and over-bearing majority.

That was James Madison speaking, and it sounds as if it were written only yesterday.

After 6 years of divided government, President Bush promised that he would be a unifier. The President has said that he wants bipartisanship. He has said that he has faith in his plan. If those statements are true there is no need to hide behind the iron wall of reconciliation. Webster defines reconciliation as a restoration of friendship or harmony. Let us not use the reconciliation process to divide and polarize this Congress. Now is the time to hear all the voices and build consensus among ourselves and among our people. The American people expect and deserve a full debate.

How much time do I have remaining, Mr. President?

The PRESIDING OFFICER. The Senator has 2 minutes 45 seconds.

Mr. BYRD. Mr. President, if this tax cut is such a good idea, why don't we take the time to debate it? Why don't we debate these tax cuts at length, if this is such a good idea?

I say to you, Senators, your votes are going to have consequences. We don't

even know yet what the review of the military services and the Defense Department will cost. We don't yet know the cost. That is still out there to be heard from. We don't have an energy policy in this country. We haven't done anything to shore up Social Security. We have crumbling schools. We have dangerous highways. We have unsafe airports. Our people don't have pure drinking water in many of the rural areas.

Now is the opportunity for us to do something about those things. What are we going to tell our old people, our senior citizens?

This is a red letter day for the American people. Here is the calendar. I will say it is a black day. I remember Black Tuesday, October 29, 1929, which marked the beginning of the Great Depression—Black Tuesday.

This is Black Thursday, May 17, 2001. Remember it—Black Thursday. This is a Black Thursday for the American people, a day on which we will have squandered the unalienable right of our elderly citizens to the pursuit of happiness mentioned in our Declaration of Independence.

We will have squandered the unalienable right of our elderly citizens to the pursuit of happiness by bartering it for a mess of tax pottage.

Mr. President, when Aaron Burr in 1805 addressed the Senate before his departure through the Senate doors of the old Chamber for the last time, he uttered these prophetic words:

This House is a sanctuary; a citadel of law, of order, and of liberty; and it is here—it is here, in this exalted refuge; here, if anywhere, will resistance be made to the storms of political phrensy and the silent arts of corruption; and if the Constitution be destined ever to perish by the sacrilegious hands of the demagogue or the usurper, which God avert, its expiring agonies will be witnessed on this floor.

Mr. President, we are witnessing the demise of the U.S. Senate as our forefathers knew it and as I knew it when I came to this body. We are witnessing the demise on this day—Black Thursday—and in these times. Burr's prophetic words are being borne out before our very eyes. History will not be kind to us, nor will our children and grandchildren rise up to call us blessed.

Remember, my colleagues, May 17, 2001—Black Thursday!

I yield the floor.

The PRESIDING OFFICER. I thank the Senator from West Virginia. Who yields time on the pending bill? The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The senior assistant bill clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ENSIGN). Without objection, it is so ordered.

Mr. GRASSLEY. Mr. President, there is, at the desk, a committee amend-

ment. I ask unanimous consent that it be adopted, the motion to reconsider be laid upon the table, it be considered original text for the purpose of further amendments, and all points of order be considered preserved.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

The amendment (No. 650), in the nature of a substitute, was agreed to.

(The text of the amendment is printed in today's RECORD under "Amendments Submitted and Proposed.")

Mr. GRASSLEY. Mr. President, we will start consideration right now, and there will be up to 20 hours of debate and action on the bill that is before us under the reconciliation provisions of the Budget Act on what will be the largest tax cut that has been given to the American people in the past 20 years. In this process, we are going to take a considerable and substantial sting out of the Federal tax bite. This is the third-largest tax reduction in the last 50 years, to put it in some other perspective as well.

Before I get to the issues that are before us, I will say a little bit about the process of putting this legislation together.

I know we are all going to be thinking about what kind of tax bill we have, how much taxes are going to be reduced, the fairness of it all, and the equity of it all. But I would like to have my colleagues spend a little bit of time thinking in terms of how we got here.

First of all, almost 12 months ago, the President of the United States gave a speech saying that one of the foundations of his campaign was going to be a very substantial tax reduction because taxes have reached the highest point they have ever been in the peacetime history of the United States.

He campaigned on that and did not back off one iota when pundits made fun of it, when economists maybe took exception to it. It was very well thought out and intellectually honest. He pursued full steam ahead through the highs and lows of the campaign—through times when you might be depressed with the campaign going against you, through times when you were on a high in the campaign, and right through that campaign—through the election, through the period of time when there was some sort of question as to who might be the next President because of what was going on in Florida and the counting of ballots, and from the time he was announced the winner to the time he gave his inaugural address on the day of swearing in.

So we are here today because we have a President who wants to make a difference, a difference for the taxpayers in this country, a difference for the economic advancement of our people, the creation of jobs, and the encouragement of investment.

Without this Presidential leadership, we would have tax bills before the Congress this year but they would not be

as substantial as what we now have before us. For the President of the United States, it is not substantial enough because, as we know, he proposed almost 20, 25 percent more than we are dealing with. Here again, the President must accept the will of the people expressed through the Congress. There was a compromise, a necessary bipartisan compromise on a level somewhat less than what the President proposed, but the \$1.35 trillion we are dealing with in this bill.

The bill we have before us is a product of the process: The Presidential election, the extremely important leadership of a President who is committed to principle and performing in office what he said he would do during the campaign—and that is a rarity in politics, but this President is doing it—and the legislative process in the Congress.

Compromise is always necessary in any Congress, whether it is overwhelmingly controlled by one party or the other party or whether it is evenly divided, as it is now in the Senate—absolutely evenly divided, 50 Democrats/50 Republicans—or in an almost evenly divided House of Representatives with the Republicans being the clear majority.

Process is pretty important. I want people to think of this process as we debate very controversial amendments over the next 2 days. The Senate Finance Committee is kind of a microcosm of the entire Senate, and perhaps people will think of the hard work Senator BAUCUS and I, and my colleagues on the Republican side and almost half of the Democrats, have put into crafting this legislation. It didn't happen in one 10-hour meeting on Tuesday, when we considered all the amendments that were in dispute, about the product Senator BAUCUS and I put together. It didn't happen in 10 hours. It happened over a long period, starting about mid-January. I will refer to some of the substantial things that happened to get us where we are today from where we were last January.

That is not to detract from what I said about the President of the United States contributing greatly to where we are today as well, maybe not in the specifics of the bill but the overall questions—are taxes too high, and should they be reduced—the President winning on the process that they should be reduced, and now going through the process of actually giving the American working men and women the tax relief they deserve.

People will get tired of my saying it, but this is a bipartisan tax bill. My friend Senator MAX BAUCUS, ranking Democrat on the Finance Committee, worked with me to put together a package of tax cuts that would receive solid support on both sides of the aisle. We knew this would not be easy, getting the people's business done, unless it was a bipartisan product. That, again, is a reality of a 50/50 Senate.

This bill came together after the Senator from Montana and I heard

from our respective caucus members about their priorities. You don't put together the biggest tax cut in two decades without considering all points of view. As we start this debate now, it is not just Senator BAUCUS and Senator GRASSLEY who are at the table—where maybe that was the situation from time to time over the last several months—every Senator, all 100, is at the table as we now consider the product of the Finance Committee and its bipartisan cooperation. That is the nature of the Senate.

We talked to our members about their priorities, and then we put this product together. Two days ago, our efforts yielded the results we hoped for when we started out 4 months ago. This bill was approved by the Senate Finance Committee by a 14-6 margin, a clear demonstration of solid bipartisan support.

I hope the work that has gone into this product over the last 4 months is respected. Even though Members might not agree with it, could they do better? Each time people are down here casting a vote—and they are going to vote yes or no—I ask my colleagues, particularly on the Republican side, to think in terms not that they like everything that is in here but could they have done better. If they can't do better, I hope they will show respect for the bipartisan approach we used.

More importantly, I hope they will respect the transparency that has been the hallmark of the Finance Committee's work throughout the first 4 months and the communication that has gone into this by individual Members communicating with others to say, "What do you think about tax legislation," to get specific points of view from specific Members and, most importantly, the people on this committee as well as others outside the committee.

It was not easy to arrive at a final agreement. Among the Finance Committee's 20 members, there were many opinions on what is important. In the end, no one got everything he or she wanted, including this chairman. Most of us got something we can support. We got a bill that will reduce taxes, will bring about tax relief for American working men and women in a meaningful way, in a way that taxpayers are going to notice and notice soon—by this summer—and they then will see it in fatter wallets.

I am very pleased Senator BAUCUS and I and other members of the Senate Finance Committee have been able to put together this truly bipartisan package. It is a testament to the Finance Committee that within 1 week after the budget resolution was passed, we now are on the Senate floor to vote on comprehensive tax relief for everyone who pays income taxes in America. I hope the Senate will express—not to me, not to Senator BAUCUS, but to other members of the committee—the cooperativeness and the spirit of cooperation that was evident throughout

that process Tuesday. I want Members to know that I am proud of the Finance Committee in this process as well as the substance of this legislation.

Now I will turn to what is in the bill. The heart of the bill is across-the-board tax cuts in individual income tax rates.

Again, a little bit about the process: Senator BAUCUS and I have met at least weekly for a long period of time since January. I met with individual members of the committee in their office—not in my office, in their offices—throughout the month of January and February, both Republicans and Democrats. I have had my staff meet with other staff on an ongoing basis, but very intensively, during and since the Easter break.

I have also had an opportunity to visit with Members outside of my caucus and also Democrat Members outside of the committee as well. And you always wonder when you go down this process—it takes over 3 or 4 months—whether it is time well spent. I wondered, as I would go to the next meeting, whether it was really worth my time.

Let me say, in looking back to all the time I have put in on this, and I think of my background as a farmer; you put the seed in the ground, as we are doing in Iowa, to grow the biggest corn crop that any State produces—because we are No. 1—and for the first period of time before it emerges above the ground, three-fourths of that growth that first month is below the ground. You don't see it unless you dig in there with your fingers and inspect it.

And so Senator BAUCUS and I sowed that seed in January and that seed sprouted. I know now it sprouted; I didn't know then that it would sprout. It sprouted for those days between the middle of January and last Friday at 1:30, when we finally had an agreement.

So I conclude that whatever time I spent on this—and I am going to conclude for Senator BAUCUS, and maybe I should not do that—and whatever time he spent on that process was time well spent. Even though we are going to have honest disagreements, I hope we can be cordial and polite in this process of debate. I will have to remind myself of that from time to time as well.

Now to the process. The heart of this bill, as I said, is across-the-board tax cuts of individual income tax rates. This bill creates a new 10-percent rate that will apply retroactively to the beginning of this year. This new low rate will apply to income that is currently taxed at a 15-percent rate. So people who are hit first by the 15-percent rate now can already count going back to January 1 this year, that on their first dollars made they are not going to pay 15 percent; they are going to pay 10 percent. It will give immediate tax cuts to millions of American taxpayers and provide an immediate stimulus to the economy.

For married persons, the upper end of the 15-percent rate bracket will be expanded to include income currently taxed at the 28-percent rate. So for those people being taxed at 28 percent, they are going to see more of their income taxed at the 15-percent rate. The current 28-percent rate will drop to 25 percent. The current 31-percent rate will fall to 28 percent. The existing 36-percent and 39.6-percent rates will be lowered to 33 and 36, respectively.

This legislation also includes immediate death tax relief and its eventual repeal.

This bill expands the child credit and earned-income credit, enhances pension protection and incentives to save, and creates over \$30 billion in educational incentives—full deductibility of interest on student loans, deductibility on college tuition, and on educational savings accounts. It provides marriage penalty relief and relief from the individual alternative minimum tax.

Everyone in America will share in this tax cut. It is across-the-board relief for those who pay income taxes. That means that this tax cut will flow to every wallet on every Main Street in America. Over 100 million individuals and families will have their tax relief; 14 million elderly individuals will receive tax reduction, resulting in 12 million paying less tax on Social Security benefits; over 40 million couples will benefit from the marriage penalty relief; 3 million couples will no longer itemize deductions as a result of the standard deduction increase; 9 million individuals and families will benefit from the increased individual retirement account contribution limits from \$2,000 to \$5,000; 30 million families will benefit from the increased child credit.

This is a tax bill for everyone, regardless of income level, size of family, your age, your marital status. I will give you a few examples of what we expect next year.

A married couple with two children and \$15,000 in income will pay no income tax because we expanded the earned-income credit and per-child credit. This family will receive an additional \$1,000 from the Government. A married couple with two children and a \$90,000 income will receive an additional tax reduction of \$1,050. A couple, age 65, married and filing jointly, with a \$30,000 income, will have a \$600 reduction. A single mom with one child and a \$25,000 income will receive a tax cut of \$400.

Keep in mind, these examples are for the year 2002, which is just the beginning of these tax savings. The tax rate cuts, child credits, and other benefits will greatly increase as they are phased in over the next several years.

I know most of us in this Senate also have personal stories about what this tax relief for working men and women will do for those same people back home. I will tell you about some of the people in Iowa and what this tax cut will mean for them.

Maurice Colby, Vinton, IA, retired after processing waste water for the Navy for 28 years. He works part time for his neighbor, a family farmer, during planting season. I will bet he works there during harvesting season as well. He does that to earn extra money.

As retirees, Mr. Colby and his wife worry about expenses. Their total tax bite is tough, especially when heating fuel and high gasoline prices are considered. The Colbys usually take a driving vacation most summers but not this year. Mr. Colby said this to me: "It's time for relief. It has been a long time."

Ronald Harless, 76, and his wife Jean, 72, of West Des Moines, are retirees on a fixed income. Mr. Harless worked as a printer making telephone books. Mrs. Harless was an office worker. Mr. Harless says he lived frugally and saved his money for retirement. Despite a series of heart surgeries, he has never used the Veterans' Administration's health services, even though he is a Navy veteran who landed at Normandy during World War II.

Mr. Harless says he paid taxes all of his life, has never been a drain on the taxpayers and wants to keep it that way. Mr. Harless of West Des Moines, IA, wants to support himself and stay out of the taxpayer-funded nursing homes as long as he can. However, he says he and his wife are, in their words, "barely getting along" on their retirement income and, hence, would welcome the tax provisions of this bill to give them some needed relief.

Joseph McBride, Jr., of Fort Dodge, IA, works in sales and marketing for a food service company. His wife is a registered nurse. They have four children, ages 14, 12, 10, and 8. Mr. McBride says he would welcome a tax cut because he would like to have more money in his pocket to secure his children's future.

He is very interested in saving money for his children's college tuition and will see that increase from \$500 up to \$2,000. The tax cut will be very beneficial.

He also wants to put a little extra money in the local economy. Fort Dodge's economy is not as good as he would like, and he wants to do his part to help it get better.

Another concern is energy costs. Mr. McBride in Fort Dodge says he remembers the recession and gas shortages during the Presidency of Mr. Carter. Mr. McBride said he paid more money in taxes last year than he ever has. Mr. McBride is right; he did pay more taxes last year than he ever has. That is because the Federal Government's collection of individual income taxes is now at its highest level in history.

As I have said many times, today's tax surplus in our Federal Treasury is caused by excess collections of individual taxes.

During the height of World War II, the tax collection from individuals was 9.4 percent of gross domestic product. Today income tax collection from individuals is an astounding 10.2 percent of

GDP, nearly a full percentage point above World War II. More importantly, not just a little bit above World War II, but we have seen a 50-percent increase in individual tax collections in the last 6 years, from about just a little over 7 percent of gross national product to 10.2 percent now.

I might have a chart during the debate, but I can show where the revenues into the Treasury from the estate tax have been about level for the last decade. Corporate taxes have been level for the last decade. Taxes from fees and services have been about level. But we see a great spike in the individual income taxes coming into the Federal Treasury in the last 6 or 7 years.

It is beyond belief in a time of unprecedented peace and prosperity that individual tax collections exceed the level required to defend the entire world, which is what the United States did 56 years ago. That is why we must move decisively to give working men and women this tax relief. We must not keep the money in Washington where there is a tendency for it to burn a hole in the pockets of Members of Congress to a point where they have to spend it.

This will help in several ways. It will not build up Government spending to a level that is unsustainable so that if we ever go into a recession, income goes down but spending does not go down, and then we again have a deficit.

Also, since the Federal Government does not create wealth—it only provides an environment for working men and women of America to create wealth—we move the money from Washington back to the individual taxpayers of America, and there it is going to turn over many more times, because of the freedom of the marketplace, than it will if it is left in the Federal Treasury. There is a political decision of what ought to be done with it. There is a lot of efficiency with a political decision, but it does not have the potential for economic growth that it will have if my constituents in Iowa spend it and/or invest it.

Too often Members of Congress think this is not the people's money; this is the Government's money. It is the taxpayers' money, and Washington has simply collected too much of it, particularly too much from the income tax. There has been a 50-percent increase of gross national product over the last 6 years. So we are going to return this money. It is even wrong for me to say that because there is some implication that it is my money. We are going to let the American people keep more of the money they earn by passing this tax bill.

Over the next few days, we are going to hear a lot of talk about population demographics and about how this tax relief for American men and women is going to compromise our national priorities.

Let me set the record straight at the very beginning. This tax relief for American working men and women in no way endangers our national priorities. The President has said that. I

have said it. It is a fact. A majority of the Congress said that when they adopted our budget last week. We are here because a majority of the Congress, and a bipartisan majority of the Congress, said we ought to put more money in the pockets of working men and women than into the Federal Treasury.

The budget resolution did that. It did it through a blueprint for how the Government will fund its priorities. That blueprint provides record levels of funding for education, prescription drugs, and defense. I want to make very clear that we pay down every dollar that is possible to pay down on the national debt over the 10 years of this budget resolution.

That blueprint also says we have more than enough surplus to enact the tax relief for working men and women that is before us in this bill today. In fact, the bill before us refunds only 24 cents of each dollar of projected surplus.

How many people who are listening now or who will read this in the paper are going to say: How come you can't do better than that? The only answer I can give them is, it is part of the process of compromise by which we work in a bipartisan way to do the people's business.

Twenty-four cents out of each dollar is hardly what I would call a risky tax measure. We are going to hear this from a lot of our colleagues: Risky, risky. We are going to hear people say that the projections in the budget for the next 10 years are so uncertain that we should not be giving a tax cut. This caution by my colleagues is perfectly legitimate. We ought to always be cautious on almost every public policy decision we make. But check with those same Members to see that when they want to spend more money, do they worry about whether the budget projections are accurate for the next 10 years? No, it is only when we want to let the American people keep their hard-earned money that this issue arises.

For those who want to use the word "risky," those who want to say the projections could change and want us to be cautious, the only thing I ask—it is perfectly legitimate for them to say that, but as they are talking about a new spending program that is going to spend out over the next 10 years, I encourage that same caution before people vote on that issue.

This is a responsible tax cut. We are at the highest level of individual taxation in history. It is a time to end that.

Let's also get another thing straight. This bill in no way touches the Social Security or Medicare trust fund. This is a bipartisan tax bill that represents the best thinking from both sides of the aisle. It is a victory for the process of the Senate. The problem we now face is that some people around here preach bipartisanship but then turn around and attack the bipartisan compromise

reflected in this bill. They will work to obstruct this bill's enactment, and they will demean the great efforts and political risks that Republicans and Democrats alike take to reach this bipartisan agreement.

I imagine we are going to see plenty of this sort of thing on the Senate floor over the next few days. I don't think it will work because today we are about doing the President's business. This bill only contains tax relief for individuals. It is not larded with favors for special interests. You cannot draft bipartisan legislation such as that very easily. I think there is some purity of cause and purity, consequently, of content.

This bill before the Senate is a historic opportunity to prove we can join together, on a bipartisan basis, as common Senators, with a common purpose, to relieve a heavy burden from the people who sent us here. The Finance Committee has shown this can be done. Our committee has done what the Constitution and the rules of the Senate require. We have led the way. I am very proud of our Members and their efforts.

I urge all Senators to be vigilant in our deliberations, circumspect in rhetoric. The relief ordered by this bill is too needed by too many to be demagogued by the few. America is watching. America is waiting. What America is going to see over the next 3 or 4 days in this Senate is a product of a process that started about the second or third week of January when the Senator from Montana, then for a short period of time chairman of this committee, as the Democrats controlled this body for 17 days back then, said: I would like to meet with you and talk with you about the functioning of the committee.

That was an hour and a half discussion. But some important few words were said by Senator BAUCUS on that day, which were that we could have a bipartisan tax bill if we worked at it. I thank Senator BAUCUS for that suggestion. I thank Senator BAUCUS for spending so many hours with me since then to make it happen. Most importantly, I thank him for his handshake at 1:30 last Friday when we had an agreement.

I thank the Senator.

I yield the floor.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. STEVENS. The Senator from Montana has graciously agreed to let me make a short statement, and I ask for recognition.

The PRESIDING OFFICER. The Senator is recognized.

(The remarks of Mr. STEVENS are located in today's RECORD under "Morning Business.")

Mr. BAUCUS. Mr. President, I ask unanimous consent that the clerks at the desk, with legislative counsel's assistance if needed, be authorized to correct the drafting of any Members' amendment that may be affected by changes in the committee amendment which the Senate just adopted.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. Mr. President, I rise to enthusiastically support the committee bill. This has not been an easy bill to write. These have been tough negotiations, a lot of give and take, as almost always is the case in any matter of significant consequence. The same is certainly true now.

I might say the Senator from Iowa and I, along with other members of the committee, had many meetings. We took a lot of time to get comfortable with the various provisions of the bill, just to understand what they are. There was a lot of to and fro, but I might say it was all done in good faith.

This is not easy. When there are so many moving parts and it is so complicated, by definition, people have to act professionally in order to get something accomplished and that is what happened. I have the highest respect for the chairman of the committee, who has done a yeoman's job, as well as the other members of the committee who worked hard to make this a workable bill.

As we all know, when all is said and done, we must have a balanced compromise. We have to reach some agreement because we all cannot have our way in the constitutional way we as a country organize ourselves. We have to have some organization. That is basically majority rule.

Let me explain why I think this is a good bill. In the first place, I believe this is a significant improvement, from my perspective, over the bills that were proposed by the President and passed by the Congress. Most significantly, the committee bill provides a much better distribution of tax cuts. That is a matter that I think is lost upon a lot of people. The committee mark has a better, more progressive distribution of the tax cut than either the bill suggested by the President or by the House. In fact, this might raise some eyebrows. According to the Joint Tax Committee analysis, the committee we all look to as the best independent analysis, the bill before us today will make the tax system more progressive than under current law—not only compared with the President's proposal, not only compared with the bill that passed the House, all the various bills that passed the House, but also compared to current law; that is, this bill is more fair in the distribution of tax cuts to payers of income taxes than current law.

That is not to say this bill is better than the President's. I would not ask Senators to vote for a bill just because it is better than it could have been. Instead, I believe the standard we should apply on a tax bill is whether on its merits, taking everything into consideration, the bill makes positive changes that improve our tax system and are better for most Americans. By that standard, I suggest this bill passes with flying colors.

Let me explain why. First, we create a new 10-percent bracket. This is the

single biggest piece of the bill—\$438 billion over 10 years, by far the single largest component. There is a new 10-percent tax bracket which has the effect of benefitting every single American who pays income taxes. Most of the benefit goes to low- and middle-income taxpayers. In fact, about 75 percent of the benefit goes to people who earn less than \$75,000 a year. Let me repeat that statement. Seventy-five percent of the benefit under the 10-percent bracket, the new bracket, goes to people who earn less than \$75,000 a year.

One other thing. Unlike most of the other tax cuts in the bill, this one takes effect immediately—better yet, retroactively to the first of the year. This will not only help average taxpayers but it also provides an economic stimulus because it puts more money in the hands of consumers.

We also expand the tax credit for families with children from \$500 to \$1,000 per child. And we do more. We increase the amount of the credit that is partly refundable so lower income families can benefit from the credit as well. We do this along the lines suggested by Senators SNOWE, LINCOLN, KERRY, JEFFORDS, and BREAUX. It is a very important new contribution that they have authored. It is a good idea of theirs. I commend particularly Senator SNOWE, who is the lead sponsor of the group to get more refundability under the child tax credit.

This is a big improvement over the current law. Why? Because it means we will increase the tax credit for 16 million more children, I might say, compared with the President's bill; that is, this bill provides a benefit to 16 million more American children than the proposal of the President and the House.

But that is not all we do for lower income working families. We make important reforms that expand and simplify the earned-income tax credit so it is available to many more low-income working families than it is today. In fact, the bill contains the most significant expansion of the EITC, earned-income tax credit, in many years. We also simplify the EITC—make it much easier for eligible families to qualify. These are huge simplification provisions.

And there is more. We create new incentives for education. For example, we help parents set money aside for their children's future education. We encourage employers to help their employees attend classes and earn degrees, and we help college students pay off their student loans—a big improvement.

Because of the leadership of Senator TORRICELLI and Senator SCHUMER, we create a new provision in the Tax Code that allows a deduction for college tuition payments. Many American families have a hard time meeting their children's higher education expenses. This provision is of significant help. It is not a total solution, but it goes a long way toward helping families provide for their children's higher edu-

cation. All in all, I think it is an education tax incentive package of which we can all be proud.

There is more. We include a pension tax incentive package that has strong bipartisan support in the Senate. We all know the problem. Our personal savings rate is at rock bottom, having gone from 11 percent of GDP 30 years ago to zero or even negative savings today, meaning, among other things, that people are not putting enough money away for their retirement, thereby increasing the potential burden on Social Security.

The pension provisions of the bill will help address this problem, taking another step forward to addressing the baby boomer problem that we know is coming in about 10 years.

We make it easier for workers to take their pension plans with them when they change jobs. We strengthen pension security and enforcement. We enhance pension fairness for women. We increase the contribution limits for IRAs and 401(k)s so people can put more money into them.

On top of that, we create two new incentives that will dramatically expand pension coverage for lower income workers. One helps small businesses establish pensions for their employees. It is very hard today for small businesses to set up pension plans for their employees, much more difficult than it is for big business. In this bill, we help them do that.

The other incentive is a new matching plan to help employees save their own money for retirement—again, an incentive to help employers match their contribution.

We reduce the marriage penalty. We address the estate tax. These are not Republican priorities; they are not Democratic priorities. They are bipartisan priorities, important to virtually every single Member of the Senate.

Those are the main provisions of the bill. Putting them all together, I believe the bill represents a very significant improvement over current law. That is the standard I think we should use. Is it perfect? No. Of course, it is not. Is it the bill that I would write, that any Senator would write? Of course not.

That is not really the question. That is not the basic point. Rather, taken as a whole, does this bill represent a significant improvement over current law? I think it clearly does.

At this point, I will address some of the key arguments that have been made against the bill. First, the process.

Some will say that we should not be railroading this bill through the Senate on a reconciliation fast track which limits debate and amendment. I agree. To my mind, it is unnecessary, it is inappropriate, to use reconciliation instructions for a tax cut.

I very much agree with the statements made earlier today by the senior Senator from West Virginia, Mr. BYRD. I believe he is right. He argued for a

process that is much more open, that is more expansive, so that tax bills have a lot more time in this Chamber, and many more opportunities for amendment.

I remind my colleagues, President Reagan's tax cut in 1981 was not under reconciliation, it was not under this constrained process; rather, it was outside reconciliation. The bill was considered here for 2 weeks. There were hundreds of amendments. That is democracy.

I might say—it is a bit of a stretch here, but I think it is an important point—Thomas Jefferson once said: A country is only as strong as that bond and that nexus between the people and the people's representatives. Representatives cannot do it alone. People cannot do it alone. But it is that bond between the people and the people's representatives which, by and large, determines the strength of a country.

If we rush a tax bill through too quickly—one of the most important bills that is going to be before this body perhaps in several years—clearly, we need that process, that bond to work. And for it to work, we have to have the opportunity to offer many amendments, to debate them very thoroughly, to get the people engaged in what we are doing.

By rushing this through, people do not know what is in this bill. There are problems as a consequence of that, but the deeper problem is people become disconnected from the process, and they care less about what we are doing because they do not know what we are doing, and they do not know how we got to where we are. They are going to start to become more cynical, less engaged. That is not good.

And just as we all know in running for office, you cannot satisfy—I think as President Lincoln said—all the people all the time, but we do the very best we can. We want to fully engage people so they are more involved in getting a better product, but also because in engaging people, they understand the reasons for what we are doing much more clearly.

That is fundamentally why I think this tax bill should not be in reconciliation but, rather, should be in an expanded process. That is why I voted and spoke against, I might add, the amendment of the good Senator from New Mexico some while ago to add reconciliation instructions to the budget resolution. It is really not good Government.

Despite our best efforts, I must say, though, that dye has been cast. That decision has been made. So we have to work within the process that the Senate has chosen to employ. We have to work with what is given to us. We have to play the hand that is dealt. And that hand, unfortunately, means reconciliation for the tax bill.

In any event, I might say, the chairman of the Finance Committee, Senator GRASSLEY, has provided, I think, the best process possible under these

circumstances. He has been totally open. He has been totally bipartisan. He has been equally fair. In light of the fact that I oppose the process, it should not compel us to oppose the bill.

Let me turn to the substantive criticism of the bill. One criticism is the tax cuts are back-loaded. The bill does, in fact, cut taxes more in later years than in earlier years. That is true. In large part, this is because of the constraints of the budget resolution. But there are several points to keep in mind.

First, the bill is significantly less back-loaded than the President's plan. I do not have the chart here. I think I will ask to have that chart put up. But the point is, the bill is significantly less back-loaded than the President's plan. That means these tax cuts come earlier, and the bill costs 36 percent less in the last year, in 2011, than in the President's plan.

That is significant. Yes, there is still some back-loading. Yes, back-loading is a problem we should address. But the point is, we cannot let perfection be the enemy of the good. This is better than the President's proposal.

As the chart shows—this is in the last year of the bill we are now considering, the last year being 2011—the administration's bill, which is similar to the House-passed bills, would cut taxes close to \$300 billion in that last year. The bill before the Senate, which is shown in the blue on the right, indicates it is about half, a little more than half, about \$186 billion, cut in the last year. So it is an example of less back-loading than the President's.

I will show you another chart as well. This chart shows over the 10-year period of the bill—it is hard to see; I apologize; I am not the best color-contrast guy in the world in putting this chart together—the red line going up is the administration's proposal, which shows that each year the tax cuts in the President's bill are greater. That is the red line that slopes upwards.

It is hard to see, but the blue line that is underneath it shows, particularly beginning in the year 2004, the cuts in later years are much less.

You will also notice that the blue line, though it is not really horizontal, is much more horizontal than the red line, again, showing that although there is some back-loading, there is much less back-loading in this bill.

In addition, the most significant back-loading problem comes from repealing the estate tax in the year 2011. For that, and other reasons, I hope we can replace repeal of the estate tax with reform of estate tax.

Third—and this is in explaining why there is this back-loading problem—under the Byrd rule, provisions that lose revenue during the second 10 years must be sunset; that is, they must be terminated.

So if we do that—and this bill does do that—we can assure that the changes that are scheduled to be made in later years can be reexamined—and must be

reexamined—down the road, in light of future budgets and future priorities.

Another argument that has been made against the bill is that it is unfair. Critics say that too much of the tax cut goes to people at the upper end of the income scale.

I might say, both sides bring passion to this argument. Critics of the bill rail against cutting taxes for millionaires. On the other hand, there are those for whom the top rate of 33 percent, down from 39.6, is a holy grail.

Let's step back for a minute and just look at the facts.

First, our Nation does have a progressive Federal income tax system. According to the Joint Committee on Taxation, the top 10 percent of taxpayers today pay about 70 percent of all Federal income taxes. The top 1 percent pay about 36 percent of all Federal income taxes. Our tax system is, therefore, very progressive today. In fact, essentially in each of the years since 1993 up through today it has consistently been more and more progressive.

Given this progressive system, a tax cut that applies across all income classes is, by definition, going to result in a larger tax cut for upper income Americans because they pay more taxes. That is just simple mathematics. That, in part, is what happens under this bill. We cut taxes across all income groups, so everyone who pays income tax today benefits, and those who pay a large amount of income taxes do, in fact, receive a larger benefit—larger, I might add, than I would prefer.

But remember, the bill does more than just cut income taxes. On that distribution point, let's take taxpayers with incomes of \$25,000 or less, taxpayers with incomes of \$50,000 or less, taxpayers with incomes of \$75,000 or less, and taxpayers with incomes of \$100,000 or less. In each of those categories, the percentage of tax reductions under the committee bill is much greater than under the administration's bill. And they vary; on average it is about 12 to 10 percent greater. Contrast that with taxpayers with incomes of \$100,000 to \$200,000, and taxpayers over \$200,000. In both of those categories, the proportion of benefits under the committee bill is less for those taxpayers than under the President's plan.

Again, to make the basic point: This bill is more progressive because it shifts tax cuts in a greater proportion to those Americans with incomes under \$100,000. What it does is slightly decrease the proportion of tax cuts for higher income Americans compared with the President's and/or the House bill. This bill makes the tax system more progressive.

We have also tried to cut taxes for people whose primary tax burden is not income taxes but payroll taxes. After all, about 80 percent of Americans pay more in payroll taxes than income taxes. Our bill doesn't leave these people out; it brings them in.

These are the provisions that accomplish this: We expand and simplify the earned-income credit which may be the best program ever created to help low-income working families. We double the child credit and make it partly refundable, covering 16 million more children. We create new incentives to help low-income savers save for retirement.

I have mentioned a lot of the provisions. So what is the practical effect? Take a married couple with two children earning \$15,000. Under the President's proposal, they wouldn't get any tax cut at all. Once our bill is fully in effect, they will get a tax cut of \$1,152, very significant for lower income Americans with kids.

Putting it all together, I believe the bill we are considering today is one of the best bills ever written for lower and middle income families. I will say it again: This bill is one of the best ever written for lower and middle income families. So when we talk about fairness, let's keep our eye on the ball.

Does this bill give wealthy people a tax cut? Yes, it does. But that is not the only question we should ask. There are other questions that might be more important. For example, does the bill help those who are struggling to feed their families and to pay their bills? Yes, it does. Does it help the single mom, the construction worker, the two-earner couple trying to put money away for their children's education? Yes, it does, and it helps them a lot.

So with respect, I suggest to those who say the bill is unfair, just step back a bit, take a look at the whole picture. If they do, I am confident that many, not all, will conclude that the bill deserves their strong support.

As I said at the beginning, this is not a perfect bill, but it is balanced. It is bipartisan. It is good for taxpayers. It is good for working families. It is good for the economy, and it is good for the country.

I urge Senators to support the bill.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. Mr. President, I yield to the Senator from North Dakota.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I thank the chairman and the ranking member for the way they have conducted the business of the Finance Committee. It has been, within the Finance Committee, a fair process. I publicly commend them for it. The chairman and the ranking member have both reached out to Members. They have visited us. They have asked us for our opinions. We didn't necessarily agree, but they certainly listened.

The markup itself was a model of fairness. I salute the chairman for the way he conducted the markup. I was saying to my wife I don't remember a more fair markup in terms of the way it was handled. I thank the chairman for that as well.

With that said, I strongly disagree with this proposal. It is a profound

mistake for the country. It is a profound mistake because it is part of a larger budget package that threatens our economic security.

This tax cut is part of a budget proposal that has concealed more than it has revealed. This is part of a budget proposal that is not the real budget. As a result, it misleads Members and it misleads the American people. Ultimately, it leads us into a fiscal trap that will be a trap for all of us.

When I say this budget—of which this tax cut is one part—conceals more than it reveals, I mean by that, whole chunks of Federal spending that we all know are going to occur have been left out. The President is about to propose a major defense buildup. It is not in this budget. The President has said education is the No. 1 priority, but there is no new money for education in the budget. The President has said we must strengthen Social Security for the future, but there is no money in this budget for that purpose.

The reason those things have been left out is quite clear: If they were included, what one finds is that the budget, with this size tax cut, would not add up. What one finds is that when you put in the funding for education, if we really believe that is the top priority and we fund it as we have voted if we follow the President's proposal for a major defense buildup and put that money in the budget, if we follow the President's suggestion to strengthen Social Security and put that money in the budget, and we put it all in one place where people can see whether it adds up or it does not, what one sees is that it simply does not.

The result is a massive raid on the Medicare trust fund and the Social Security trust fund, and that will create serious problems for this country going forward.

The New York Times said it well in an editorial on May 12. They commended the chairman and ranking member for improvements they have made in the bill over what the President proposed, but their conclusion was:

But over all it amounts to another gross abdication of fiscal responsibility.

I believe that is true. This bill, in the larger budget context, is a gross abdication of fiscal responsibility.

Part of the problem is that all of this is based on a forecast that even the forecasters warn us is uncertain. Those who did the forecast, the Congressional Budget Office, have said to us: You have to understand, this is a 10-year projection. Looking back at our previous forecasts, we can tell you there is enormous variance. In fact, over the last 10 years they have been off by an average of 100 percent a year. That is how far off they have been in their previous forecasts.

Some people want to believe this projection is cast in concrete. It is not. It is built on quicksand. That threatens the economic security of our country.

Those who made the forecast prepared this chart. It shows in the fifth

year we could have anywhere from a \$50-billion deficit to more than a trillion-dollar surplus. That is the variance they project, looking back at their previous forecasts and seeing how far off they were. Then they projected those variances to this projection. They warned us in an entire chapter of their forecast how uncertain any 10-year projection is. That is the backdrop for what we do here over the next several days.

To me, it counsels caution. It counsels caution on spending, on tax cuts. Let's not bet the farm that any 10-year forecast is going to come true. No company would do it; no private concern would do it; no American family would do it; but we are about to do it here in the Congress.

The second critical fact people need to know: The Senator from Iowa said we are paying down all the debt there is to pay down. That is just one part of debt. He is talking about the publicly held debt. The publicly held debt, as we meet here today, is \$3.4 trillion. Unfortunately, that is not the total debt of our country because in addition to that publicly held debt—that is debt held by the public—we also have debt that the general fund of the United States owes to the trust funds of the United States. That debt is every bit as much debt as the debt held by the public. That has the same legal claim on the assets of our country as the publicly held debt.

What has been missing from this debate is that the debt held in Government accounts, the debt owed by the general fund of the United States to the trust funds, is going to increase. It is going to increase from about \$2 trillion in 2000 to nearly \$6 trillion during this same period. In fact, when one puts the two together—the publicly held debt and the debt to the trust funds of the United States—what one learns is the overall debt, the gross debt of our country, is not going down; it is going up. The gross debt of our country is going from \$5.6 trillion today—that is a combination of the publicly held debt and the debt owed to the trust funds of our country, which is \$5.6 trillion today—to \$6.7 trillion at the end of this 10-year period of this tax cut. That is the hard reality. The debt of our country is not going down; the debt of our country is going up.

When they described this as fiscally irresponsible, the New York Times made the case that this tax bill is badly backloaded. That means the true cost is hidden in the first 10 years. The cost explodes in the second 10 years because many of the provisions don't take effect until late in the decade, so their full cost is masked. The cost in the first 10 years is \$1.35 trillion, as advertised. But that is the tip of the iceberg because the cost in the second 10 years goes up to nearly \$4 trillion, right at the time the baby boomers are retiring, at the time the number of people eligible for Social Security and Medicare will double. This ticking timebomb is put right in the middle of that demographic timebomb.

As the Comptroller General has warned us, we are headed for a circumstance we have never seen in our Nation's history, a circumstance in which the number of people eligible for Medicare and Social Security will double, and double in very short order. That changes the budget circumstance of our country very dramatically: In this decade, we enjoy substantial surpluses; in the next decade, we face massive deficits.

What I proposed, what colleagues on this side of the aisle favored, was to take a substantial part of these surpluses now, reduce the size of the tax cut, cut it about in half, and use that money to prepare for what is to come, to reduce this long-term debt. That would be a wiser course, a more fiscally responsible course, a more conservative course.

The back loading is in page after page of the tax bill before us. The marriage penalty and standard deduction provisions don't take effect until 2006 to 2011. The marriage penalty, 15-percent bracket, doesn't take effect—I am told that may have been changed overnight. There are so many changes, and that is one reason some of us thought we ought to at least wait a couple of days to know what we are amending. I am a member of the Finance Committee, and I just learned this morning that apparently this is being moved up a year. It doesn't take away the point that it is backloaded.

The indexation of the 10-percent bracket doesn't take effect until 2007. The final rate cut in the upper brackets takes effect in 2007. The pushback on the Pease limit on itemized deductions doesn't take effect until 2009. Repealing the phaseout of personal exemptions takes effect in 2009. The full phase-in of IRA contribution limits doesn't take effect until 2011. The full phase-in of the child credit doesn't take effect until 2011. The repeal of the estate tax doesn't take effect until 2011. This is totally backloaded. That means the total cost is hidden from view in this 10-year period.

The Philadelphia Inquirer looked at this plan and wrote this editorial entitled "Tax Slashers At Work. Once started, they can't seem to stop." They made this observation about the Finance Committee:

Like 20 frat brothers trying to cram themselves into a Volkswagen, U.S. Senators are overstuffing their tax bill.

They pointed out:

Remember the outrage over the marriage penalty that affects many two-income couples? The Senate bill would only start to address this problem five years from now. By that time, the Bush Presidency—and a lot of marriages—may be over.

Mr. President, I am told this may have been moved up and it may not take effect for 4 years instead of 5. I have not seen the details. It doesn't take away from the point that it is backloaded. The Philadelphia Inquirer said:

With other tax breaks, the bill does the opposite trick: providing tax relief right away,

then supposedly ending it a few years down the road. A tax break for college tuition is slated to die after 2005. Relief for some of those hit by the alternative minimum tax would end after 2006.

Their commentary was:

Sure, Congress is really going to let a popular tax break for the upper middle class die in an election.

The Philadelphia Inquirer says:

That is dishonest and cynical.

They go on to point out:

Another slow phase-in is the repeal of the estate tax over 10 years. If Congress weren't so intent on being generous to billionaires, it could afford to get more relief sooner to the parties sometimes genuinely injured by the inheritance tax: family farms and small businesses.

Unfortunately, much of what the Philadelphia Inquirer says is exactly right. Here is the marriage penalty relief delayed under the bill that came out of the committee until 2006. No relief for those married couples who suffer the penalty of the Tax Code that is imposed on some who are married. There was no relief—nothing—for the first 5 years. Then it is phased in. That is the kind of back loading the Philadelphia Inquirer was talking about.

Then they talked about sunseting some provisions. Alternative minimum tax relief is one of them. The alternative minimum tax is something that will affect a dramatically increased number of taxpayers under this proposal. Currently in this country, only 1 and a half million taxpayers are affected by the alternative minimum tax. But under this bill, by the end of the period, nearly 40 million people will be caught up in the alternative minimum tax.

Boy, are they in for a surprise. They thought they were getting a tax cut. Nearly one in every four taxpayers in America is going to be caught up in the alternative minimum tax—a complex calculation designed to keep the super-rich from getting by without paying any taxes, because they used excess depreciation, excess deductions, excess exclusions. They were getting, in cumulative total, unfair benefits. That only applies to 1.5 million people today.

Under the tax bill that is before us, that is going to mushroom to nearly 40 million people. Does anybody really believe we are going to allow this to happen? I do not. It should not happen. It does happen under this bill, and it is another reason I believe it is misleading.

What does this bill do in terms of addressing that issue? It offers some help initially, but then it ends it later in this decade. It is going to stop providing that additional assistance for the alternative minimum tax right at the time the number of people affected by it explodes.

This does not pass any kind of test. It does not pass a credibility test. It does not pass a fiscal responsibility test. It does not pass a fairness test. It does not pass any kind of test. But that is

what is right in the guts of this bill before us.

It does not stop there because with the estate tax, it is the same thing. They hide the true cost because they put off its elimination until the 10th year. That is when they eliminate the estate tax, and then the cost explodes, but they do not capture that explosion because they do not put it in this bill. That is why the New York Times says this is fiscally irresponsible. And they are right. It does not pass the fiscal responsibility test.

That is what happens to the estate tax. Under the bill from 2002 to 2011, it costs \$145 billion. But what happens in the second decade that is right beyond what is captured in this bill? The cost explodes to \$790 billion, right at the time the baby boomers start to retire, right at the time the Federal Government has new responsibilities and obligations that are going to be very costly to meet. And we are going to give a \$790 billion cut to the wealthiest 2 percent? Is that fair? We are going to shift that obligation on to all the American people and off the wealthiest 2 percent? It does not strike me as very fair.

That is not the only thing that is unfair about this bill. This bill says to the bottom 20 percent of the American people: You get 1 percent of the benefits. Those who have the lowest income in this country, the lowest 20 percent, we say to you: You get 1 percent of the benefits. The top 20 percent, the wealthiest 20 percent, we say: You get 70 percent of the benefits. That does not strike me as fair.

I know our Republican friends will say the wealthy people pay more in taxes. They do. That is certainly true. But this bill gives 33 percent of the benefits to the wealthiest 1 percent, the wealthiest 1 percent who, on average, in this country earn \$1.1 million a year. I am glad they do. I hope very much that every American has the chance at some point in their life to receive \$1.1 million a year in income. That is terrific.

That is one of the great things about the American dream. You can start with nothing in this country and you can become a person of means and do great things. You can help people through your own private resources. You can help your family. I am all for that.

When it comes to the people's money—we have heard a lot about this, the people's money, let's give it back to the people. To which people are we giving it back? We are giving 70 percent to the wealthiest 20 percent. We are giving 33 percent to the wealthiest 1 percent. Is that really fair? I do not think so. I can tell you, the wealthiest 1 percent do not pay 33 percent of the taxes; they pay about 20 percent of the taxes.

Our friends on the other side want to talk about only income taxes, but people do not pay just income taxes. They also pay payroll taxes. And the truth is, the fact is, 80 percent of the people

in this country pay more in payroll taxes than they pay in income taxes. Yet this is just an income tax cut, and it is heavily weighted to the wealthiest among us, and it is not fair.

There has been a lot of talk that it is more fair than what President Bush proposed, and that is true; it is modestly better than what the President proposed. The President gave 72 percent of the benefits to the top 20 percent. This bill gives 70 percent of the benefits to the top 20 percent. I guess we can say it is better than what the President proposed, but the larger truth is, it is not much better, and it is still not fair.

I do not think there is anything that shows the unfairness of this proposal better than what happens to rate reduction at the various tax brackets.

In our country, we currently have a 15-percent bracket. Those are couples who earn up to \$45,000 in taxable income. That means they are earning \$60,000 or \$65,000 a year in gross income. Then we have a 28-percent bracket, a 31-percent bracket, a 33-percent bracket, and we have a 39.6-percent bracket.

All of these brackets will be benefited by a new 10-percent rate. The new 10-percent rate simply says that a couple on their first \$12,000 of income will be taxed at a rate of 10 percent. That is on their first \$12,000. So everybody's first \$12,000—everybody's—will be taxed at a rate of 10 percent instead of 15 percent, as current law provides. That is a benefit to every single tax bracket because everybody's first \$12,000 will be taxed at a lower level.

Interestingly enough, this bill also provides rate relief to the various brackets. It gives a 3.6 percentage rate reduction to those who are in the 39.6-percent bracket. In other words, the biggest percentage reduction goes to the wealthiest group, and each of the other brackets gets 3 percentage points of rate relief. Those in the 33-percent bracket, 31-percent bracket, 28-percent bracket, they get 3 percentage points of rate relief, or about 10 percent of their overall tax burden.

What happens to those in the 15-percent rate bracket? They get no rate relief. They get none. Everybody else, every other bracket gets rate relief, but not the people in the 15-percent bracket. Is that fair? I do not think so.

How many people are in that 15-percent rate bracket? This is where the real unfairness of this bill is revealed because that is where 70 percent of the American taxpayers are. They get no rate relief. That is where 69 percent of the small businesses are. They get no rate relief. All of the talk that we are going to give marginal rate relief because it is the key to encourage savings and investment, but it only applies to the top rates. It does not apply to the 15-percent rate because this bill does not give them rate relief. It does not give the 70 percent of the American taxpayers rate relief. It does not give the 67 percent of small businesses rate relief. It reserves rate relief for those in the highest brackets.

There is something wrong with this bill, and what is wrong is it is not fair.

This bill has been sold repeatedly as an economic stimulus bill, one that can provide some lift to our economy in this period of weakness. That is an interesting theory and one I support. I believe we ought to give economic stimulus in this year, and we passed it in the Senate. We voted for \$85 billion in tax relief in the year 2001. What is in this bill is not the \$85 billion for which we voted. Oh, no, the stimulus in this package, this \$1.350 trillion tax cut, is \$10 billion. There is almost no stimulus out of this big package for this year.

For those who told people we are going to stimulate the economy by giving people money back in their pocket this year, this bill doesn't do it. We voted for \$85 billion of stimulus this year in the Senate by an overwhelming vote. That is not what is in this bill. They cut that back down to \$10 billion in relief this year.

I go back in history and look at the record. We had the same theory at work in the 1980s. That theory was we could have massive tax cuts, we could have massive buildup in the defense spending, and it would all add up. It did not add up. The result was an explosion in debt and deficits. We quadrupled the national debt, saw a dramatic increase in budget deficits, and under President Bush it got totally out of hand. We had a budget deficit of \$290 billion the last year of his administration, and in 1993 we passed a package that raised income taxes on the wealthiest 1 percent and cut spending.

That package brought us back to balance. That brought us back to fiscal sanity. That brought us back to getting our fiscal house in order. That kicked off the longest economic expansion in our Nation's history.

We are about to go back to this theory. We could have a massive tax cut, coupled with a massive buildup in defense expenditure, and somehow it will add up.

History tells a great deal. This chart shows the trends in spending and revenues from 1980 to the year 2000, a 20-year snapshot. The red line is the total outlays, the blue line is the total revenues. We can see what happened the last time we had this theory at work. In 1981, a massive tax cut was passed, massive increase in defense expenditure, as this President is proposing. That is what happened to the expenditure line. It went up. Here is what happened to the revenue line with the massive tax cut: It went down. The deficits that were already too large exploded; the national debt exploded. It was only in 1993 when we passed a plan to reverse these lines, to reduce outlays, to increase revenues, that we were able to balance the budget and start reducing the national debt, that we were able to get our fiscal house in order and to put our country on a course to strong economic growth—the greatest, strongest, economic growth in our Nation's history.

And now we are going to retest the theory that was tried in 1981: a massive tax cut combined with massive increase in defense expenditure.

I pray we don't have the same result. Back in the 1980s, we had time to recover. But now we don't. We had time to recover in the 1980s because the baby boom generation was still relatively young. But now the baby boom generation is aging and they will retire in this next decade. Then everything changes. These surpluses turn to deficits. That is what, to me, counsels caution, that counsels a smaller tax cut, one that is more fairly distributed, one that passes the fiscal responsibility test, one that passes the fairness test, one that does not put America in jeopardy of exploding this debt.

Here is where we are on the growth of Federal debt. In 1980, we had a gross Federal debt of \$909 billion. Today, as I said earlier, we are up to \$5.6 trillion. Under this plan, the debt is going to continue to go up. It will go up to \$6.7 trillion. I believe that is a mistake. At this time of surplus we ought to devote more of these resources to debt reduction. We ought to have a tax plan that is smaller, that takes the difference and puts it into strengthening our future economic position by reducing debt now when we have the opportunity, when we have the chance.

I believe the tax bill before the Senate flunks every test. It flunks the fiscal responsibility test because it is badly backloaded and because the national debt will grow. It flunks the fairness test because it gives the overwhelming part of the benefit to the wealthiest among us. I can't justify it. I don't think it is fair.

We are going to vote on this, perhaps on Monday, maybe as late as Tuesday. This is going to be a defining vote. It is an important vote. It will make a real difference to the future of this country. I regret very much the budget resolution passed by a slim vote in the Senate, 53-47, that put this scenario in place. But it did pass. That is where we are.

The great thing about our country is we are a democracy. We decide by votes. The votes of the elected Representatives of the people have decided this will be the course we pursue. I believe this bill is a profound mistake, that it would be far wiser to reduce the size of the tax cut initially, by about half as much as what is proposed, maybe a little more than half, and then wait to see how events unfold.

This is an uncertain time. We can see it in the markets; we can see it in unemployment; we can see it in productivity growth not being as strong as we have previously seen. All of that, to me, counsels caution.

I hope my colleagues seriously consider opposing this plan. I think it is a risky plan, that it is a dangerous plan. Does that mean it wouldn't work out under any circumstances? No. I think we have to be very direct and very clear. It may work out just fine. It

may. Things may turn around. Things may improve. We may have more revenue than we are anticipating and that this tax cut is fully justified—not the fairness of it, but the amount of it.

No one can know that. No one can know what the next 10 years hold. We ought to be more cautious. We ought to be more conservative. We ought to reserve more of this forecasted surplus for debt reduction. We ought to reserve more of it to strengthen Social Security for the future. We ought to prepare for the baby boom generation. Then if things work out as forecasted, or if they are better than forecasted, which we all hope will be the case, we can have a tax cut of this size, maybe even bigger. But we shouldn't lock it in now based on an uncertain forecast at a time when the economy is shaky. And we ought not to put in place a tax cut that doesn't give a lift to this economy when it is weak.

We ought to provide stimulus now. We can afford to provide a \$85 billion tax cut this year and get that money into the pockets of the American people now to strengthen the economy. That is not what this bill does. That is what we voted for in the Senate, but that is not what this bill does. Only \$10 billion of this tax cut is effective this year, the year we are in, the time when we know we have economic weakness.

I thank my colleagues for this time. I say to the chairman of the committee, thank you for the fairness with which you have conducted the debate. That is the strength of America. We have different points of view. That doesn't mean we don't respect each other. I have great respect for the Senator from Iowa. I work with him frequently. I have great respect for the Senator from Montana. We work together frequently. But on this question we have a principled and profound difference. The great thing about America is we have a chance to express those differences and to vote on them. When we are done, when that is finished, we will go on and again work together on measures that are important to our country and to our individual States.

I yield the floor.

THE PRESIDING OFFICER. The Senator from Iowa.

MR. GRASSLEY. Mr. President, I will take the opportunity to address some of the issues the Senator from North Dakota addressed. I accept his graciousness about how we have run this process, and also confirm that on many things we work together—and I think of two: agriculture and rural health care. Those are two very important issues for our constituents.

The Senator from North Dakota has heard me speak on this point, and I mentioned it in my opening remarks. We did hear him say, as one Member who will probably say this several times today and throughout this debate, that this is a very risky road we are going down. There again, I think that caution is the responsibility of every Member of this Senate. I do not regret that he makes that caution.

On the other hand, we also appropriate a lot of money. We pass a lot of programs that obligate this Congress and the taxpayers of this country to pay a lot of money several years down the road based on the same Congressional Budget Office projections of what the future income of this Treasury is going to be.

All I would say is, if it is risky to consider this when we have tax cuts, then we ought to use the same adjectives and implore the Senate of the United States to use the same caution as we are adopting other programs down the road.

We never hear that. It is OK to pass spending bills and not worry about what the future holds; can we meet those obligations? But if we incur obligations letting the people of the country keep their tax money and decisions relating to them, then obviously that is an entirely different story and we hear the word "risky" used.

Another point of contention with the Senator from North Dakota deals not with the statistic he used, or not with the point he is trying to make, but when he says 2 percent of the wealthiest Americans are going to benefit by the repeal of the death tax—this is such a complicated issue to deal with, who benefits from the death tax. Our own nonpartisan Joint Tax Committee does not even figure estate tax and who benefits and who loses in the distribution tables they put out. That is because, for the death tax, the person who benefits has died. So it is ridiculous to talk about the death tax benefiting 2 percent of the most wealthy in America, because the people who made the money are gone from the face of this Earth.

There is an assumption here that may be partly correct—but I bet you would never prove if it were correct—that the people who inherit from the person who died happen to be wealthy. There is some effort by some think tanks in this town to figure that equation into the distribution tables of whether we are benefiting the wealthy or the not so well off. I think it is intellectually dishonest—the Senator is not intellectually dishonest, but the people who do this figuring. If our own professional people who are non-political can't do it, why should we listen to some think tank that is politically oriented to make that judgment for us? It is wrong. You cannot trace the money.

One other thing I ask the Senator from North Dakota to consider is that his picture of America, of the rich and the poor, just does not exist. Dividing America into the rich and the poor, as if somehow you are born poor and you stay poor all your life; you are born rich and you stay rich all your life—that America does not exist. It is a never-never land.

Mr. President, 150 years ago the French nobleman, De Tocqueville, who came to our country to study democracy—he was here about 3 years and wrote a lot about it—wrote:

The rich are constantly becoming poor. The rich daily rise out of the crowd and constantly returneth thither.

That was 150 years ago, and it has not changed now. All you have to do is look at the University of Michigan studies on this point and you will find economic status in this country is always transient. We do not have two distinct, unchanging groups in America, the rich and the poor. These are generally, as was in these graphs divided here—you know, the lowest income one-fifth, the next highest income one-fifth, the middle income one-fifth, and then the next highest income fifth, and then the very wealthy fifth, 20 percent.

Only one-half of 1 percent of the American people—year after year—are in the lowest one-fifth. So when he talks over here on the lowest 20 percent benefiting in so minuscule a fashion from this tax bill, he could be talking about one-half of 1 percent of the people. The people who are in that bottom one-fifth today, most of them in 1 year are going to be in other levels of income, who are going to benefit from our tax bill. Only one-half of 1 percent, I want to repeat, are in the lowest one-fifth year after year.

One-third of the lowest one-fifth rise to the second, third, fourth, or fifth quintile by next year—just 1 year away from being in that lowest 20 percent. Mr. President, 80 percent move out of the bottom one-fifth—80 percent of the bottom one-fifth move to the middle class and above, and 30 percent of those people who were in that lowest one-fifth rise to the highest one-fifth; in other words, the wealthiest one-fifth in America.

This is America. That is what America is all about, the ability to move up as you use your talents.

The other end of the scale is probably even more surprising. If you take the very wealthiest one-fifth of America at any one time, the rich do not always stay rich.

That is another way of saying what De Tocqueville said 150 years ago: If you take the top 1 percent of Americans, 10 years later more than one-half had dropped out of the top 1 percent and also dropped out of even the top one-fifth.

So what we have here is an America that has always existed, never an America of people who were always poor, and never an America of people who were always rich, but people who were moving up the economic ladder, and some who had the misfortune of moving down the economic ladder even if they were at one time in the top 1 percent of the most wealthy.

So when you see a chart that says the lowest one-fifth and the top one-fifth, remember, that is today; tomorrow, that picture will not be the same. As people move up that ladder, they are going to benefit from the tax reduction regardless of the fact that there is a lot in this bill for the lowest income people.

We have a very dynamic society, an America that is ever-changing, an America where the poor, except for one-half of 1 percent, are much better off at various times in their life. Then, for those who are very fortunate to be born in wealth or to grow wealthy, very few of them always stay wealthy.

So I hope these things are taken into consideration as we hear about the "winners" and the "losers" because with this tax bill there are not any losers. Everybody is a winner.

I yield the floor.

Mr. President, I yield the Senator from Oklahoma whatever time he wants to consume.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. First, I compliment my friend and colleague from Iowa for the comments he just made, but also for his management of the bill, as well as Senator BAUCUS from Montana.

They have worked well together to produce a good product.

I was disappointed to hear the comments made by my friend and colleague from North Dakota criticizing the bill. I happen to disagree with many of the statements he made about this bill benefiting the rich and wealthy, and so on. I just disagree with it. He is entitled to his own opinion; he is not entitled to his own facts.

I want to talk a little bit about the facts and talk a little bit about what is in this bill because I think it has been mischaracterized in this Chamber. I think it is important that we know what is in the bill.

Again, I compliment Senator GRASSLEY and Senator BAUCUS for bringing us this bill today. I think this bill is a giant step in the right direction. It is not perfect. Maybe it can be made better. But I think it is important that we look a little bit at the facts. I believe the facts will show that this bill does not just benefit the wealthy. I think it is a fair tax cut and weighted very much toward low-income people.

I want to speak a little bit about the statement that this is a repetition of the Reagan tax cut, and are we going to see deficits as a result of this because that is what we saw when Ronald Reagan cut taxes in 1980?

I came to this body on January 3, 1981, but I looked at the record. In 1980, total revenues to the Federal Government were \$517 billion. Ten years later, total revenues to the Federal Government were double that amount: \$1.032 trillion—almost exactly double. So if Ronald Reagan had these massive tax cuts, revenues to the Federal Government doubled in that 10-year period of time. He was President 8 years of that time. Certainly, you could say he was responsible for that.

The fact is, spending grew fast, so revenues grew, and grew rather substantially, doubling in that 10-year period of time. The problem was, spending grew faster. Maybe we should blame Ronald Reagan; maybe we should blame the Democrats and the

Republicans who were running Congress; there is plenty of fault to go around. My point is: Revenues grew.

What Ronald Reagan did was, he made a significant reduction in rates, but revenues continued to grow. He reduced the maximum rate from 70 percent to 28 percent. He had broad bipartisan support for those tax bills, I might mention. The first bill brought it down from 70 to 50 percent, and a couple years later we passed another bill that brought the rate from 50 percent to 28 percent. I remember Senator Bradley was supportive of that bill. My point is: we brought rates down but revenues continued to grow.

I think that is also evidenced by the fact that when we reduced rates in 1997, when we reduced the capital gains rate from 28 percent to 20 percent, revenues grew.

So some people react: Wait a minute, you can't cut rates when you reduce revenues. I disagree with that. We reduced the capital gains rate and revenues have grown substantially.

I want to talk a little bit about the bill before us. Does it benefit primarily the wealthy? I think not. I think it is weighted way toward the low-income groups. I will just give you a couple facts. The facts are that we take the 15-percent bracket, the people who make \$12,000 or less adjusted gross income, and they pay 10 percent. That is a reduction of 33 percent. That is not stretched out over 7 years but retroactive to January 1. That is today. That is real. That is \$600 per family for every family who pays taxes. That will make a difference. That is weighted toward the low income. People who make \$12,000 or less get the full \$600.

People who make \$1 million, they get the same \$600. Percentage-wise, that is going to eliminate a lot of people's tax liability, period. Millions of people will pay no income tax as a result of that change. That change is made immediately, retroactive.

I heard my colleague say there are only \$10 billion of outlays or scoring for this fiscal year and that we only have a few months left in this fiscal year. But as a result of the changes we are making, a lot of people will get refunds that will have smaller withholding for the last couple months of this fiscal year; they will get a refund in April of next year. They are going to get a tax cut. It will be a tax cut for taxpayers.

What about the rest of the brackets? The rest of the brackets do not get anything as far as a rate change. All the brackets get a 1-point reduction in the rate change effective January of next year. If you figure percentage-wise, that is a much greater percentage reduction in taxes for the lower income brackets than it is for the higher income brackets. Again, I think some people are trying to score points and have political class warfare, but that is ridiculous. And that does not even count the other changes that are made in the tax bill.

We have the \$500 tax credit per child which is made refundable, against my advice. I do not think that is good tax policy, but it is in this bill. So if anyone is saying we are benefiting the wealthy, there is a \$500 tax credit that is refundable. Under this bill, we are giving people money back who did not even pay taxes. That certainly is weighted toward the low-income people.

How can someone say we are not even benefiting this one group? That is just not right. Or that this tax bill benefits the wealthy? That is just not right. I was one of the principal sponsors of the \$500 tax credit per child that we passed in 1997. That did give people tax credits. It reduced their tax liability when having kids. If they have four kids, that is \$2,000 more they get to keep this year as a result of what we passed in 1997. We expand that now to make that \$1,000 per child. We phase that in. The first \$100 is effective immediately. So if a family has four kids, that would be four times \$600. That would be \$2,400 they would get to keep this year, that they would have reduced in their taxes. Most of it would show up in a large refund for next year. But that is a tax cut benefiting primarily low-income people. Higher income people do not get that. So I just wish people would be factual.

Let's take, again, the upper income group. All the upper income rates get a 1-point reduction effective January of 2002—next year. When do they get another reduction under this bill? Not until 2005. So the low-income people who make \$12,000 or less adjusted gross income get a 33-percent reduction effective immediately, but those in the higher income are going to have to wait another 3 years—until the year 2005—for another reduction. They get 1 point in 2002—next year, in January—and then they have to wait another 3 years to get another point. I think that is way too slow. Then they have to wait until the year 2007 to get 1 more point for all the rates. I think we are way too timid in getting the rates effective.

Then some people still criticize the bill, saying the upper income is really benefiting. That is hogwash. How does that compare to the tax increase that passed in 1993? Did we phase in the tax increase that passed in 1993 and President Clinton signed? We had a tie vote. Vice President Gore broke the tie twice in the Senate. Did we phase that in when we took the maximum rate from 31 percent to 39.6 percent? No. It was not phased in. It was made retroactive to January 1, 1993.

Was that the only increase we did on upper income people? No. In addition to that, we said there won't be a cap on Medicare taxes, so an individual pays 1.45 percent of payroll on all payroll now. It used to be capped at the Social Security base. At that time it was—last year it was \$75,000. Now that goes up.

So you pay 1.45 percent of Medicare on all income and actually your em-

ployer does it, too, so in effect that was a 2.9-percent increase on top of the 39.6. So President Clinton increased the maximum tax rate from 31 percent to 39.6 to actually 42.5 percent. The package we have before us today will reduce that by one point next year. President Clinton raised the rate from 31 percent to 42.5 percent. This bill is going to reduce it from 42.5 percent to 41.5 percent, still over 33 percent higher than it was in 1993.

When it is all said and done, it is still 20-some-odd percent higher than it was in 1993. The bill we have before us phases it down over 6 years to 36 percent. Maybe it must be higher for some individuals. I don't know. How much do you want the Government to pay? How big a percent should the top 1 percent pay? They now pay 35.9 percent of all income taxes, and evidently some people think it should be 50 percent or more. Is that good policy? I don't think so.

Then they say: You had a tax cut. If they pay 100 percent of the taxes, and you give a tax cut, I guess they get 100 percent of the tax cut, and that would be wrong.

That same rhetoric is employed on the death tax. We have increased the exemptions over the years and, therefore, only the top 2 percent pay the death tax. Therefore, if you cut the death tax, you are really benefiting the wealthy. What is right about the Federal Government taking over half of what somebody has worked their entire life for and they want to pass on to their kids? What is right about the Government saying, we want 60 percent of it; we want 55 percent of it? That is present law. Only the top 1 percent does or only the top 5 percent. So who cares? Our job in the tax policy is to redistribute wealth. We want to rob Peter to pay Paul. We have a lot more Pauls. We are going to make them happy. We are going to take Peter's money and give it to lots of people.

Some people think the primary purpose of the Tax Code is to redistribute income so we have all these distributional charts. We have to make sure this percentile gets their fair share of the money. They didn't pay their fair share of the taxes, but we want to make sure they get their fair share of the money. We don't do that with spending programs. Some people are trying to turn the Tax Code into aid for families with dependent children. I disagree. We should not use the Tax Code for spending purposes.

The Tax Code should be fair and equitable. There is nothing right about somebody working their entire life and building up a business, a farm, a ranch, or a company of some kind and they die and all of a sudden the Government says: Hey, we want half. Move over. We don't care if you have to sell the company. We don't care if it bankrupts the company. We want half. The Government is entitled to take half.

I think that is absolutely, fundamentally wrong.

What we are trying to do eventually in this bill is repeal the taxable event on death and say the taxable event would be when somebody sells the property. If they inherit the property and they don't sell, they continue operating the farm, the business, whatever, as long as they are operating it, fine. If they sell it, then they pay tax, and the tax will be at the capital gains rate. It won't be at 55 percent. It won't be at 60 percent.

Somebody said, we don't have the death tax rate at 60 percent. Yes, we do. If you have a taxable estate on death between 10 million and 17 million, the taxable rate is 60 percent. We get rid of that 5 percent kicker right off the bat. That is one of the things we should do in this bill. We ought to get the death tax down. We ought to get marginal rates down. Marginal rates are too high. So we have gradually reduced them. I think we are way too gradual in reducing them. But for some people to say, wait a minute, we are doing too much for this group because we are really benefiting them, when all they get under this bill, all they get if this bill was law, and this is all we passed for the next 3 years, all the wealthy would get would be basically a 1 percentage point reduction next January in their rate, from 39.6 to 38.6, or correspondingly the other rates, 28 to 27, and that would be it until the year 2005. I think that is pretty pathetic. We can do better. I hope we will do better.

For some people to say that really benefits the wealthy just because a few years ago we raised your rate from 31 percent to 42.5 percent, forget about that. To reduce it by 1 percentage point, when you increased it 11.5 percent—11½ points, not percent, 11½ points—now we are going to give you a great big 1 point reduction, give you one-tenth of that back in 4 years, that is a massive tax cut? I beg to differ with you.

If we passed the Bush tax plan as it is, it is still much higher than it was under President Clinton.

I make these points. I think people need to look at the tax legislation in total. They need to look at the tax credit, the refundability of the tax credit, maybe the wisdom of that. I think that should be considered. We finally start making some real inroads on marriage penalty relief. I wish we did more, and I wish we did it earlier. But, unfortunately, some people reduce the size of this tax bill.

Some people say: Wait a minute, why can't you do marriage penalty more immediately? Because some people voted on the budget resolution to reduce the size of this package from 1.6 trillion to 1.35. OK, they won. So now we have the budget resolution, and we are doing the best job we can with 1.35. We should work to pass the best bill we can with 1.35. If we had the 1.6, maybe we could do more with the marriage penalty. Maybe we could do more with the rates; we could accelerate more the rates. But we didn't win on the budget.

A lot of rhetoric I have heard says: I want to redo the budget, fighting the budget battle. The budget battle, you lost that one. Now we are fighting the tax battle: Should we have a tax cut or not? Should we eliminate the death tax or not? Should we cut rates any? Is a 1 point reduction in the next 4 years too much for all income brackets? I don't think so.

Let me refer a little bit on this. We didn't cut the 15-percent rate. I mentioned in the Finance Committee, I would be happy to consider alternatives. Right now, we have weighted a lot of the tax cut. You have different rates. You have a zero rate which we are expanding substantially. We have the 15-percent rate, the 28-percent rate, 31-percent rate, 33, 39.6. We have reduced all those rates. Somebody said: You didn't reduce the 15-percent rate. What you did is you took a chunk of it out and made it 10 percent.

There is another way of doing it. We could reduce the 15-percent rate, take that same amount of money, we took half the tax cut. By adjusting that, putting in the new 10-percent rate, we could reduce the 15-percent rate to 13.5. That would be a 10-percent reduction in the 15-percent rate and probably do that for the same amount of money we did by creating the 10 percent.

We would cut rates for everybody in the 15-percent bracket. That might be a better tax policy than going to 10 percent. I am willing to consider that.

In other words, there are different ways of doing this. It might come out the same dollarwise for the total bill, and it is more equitable. There are some things we can do.

This bill is not perfect. But to slam it and say we are not doing anything over here and ignoring the child credit, to ignore the fact that we are expanding the 15-percent bracket substantially for married couples, which means a lot of married couples will be paying 15 percent instead of 28 percent, almost a reduction of one-half on a lot of their income—that is a big change—to ignore those kinds of things would be a mistake.

I urge my colleagues to support this package. I hope we don't have a lot of amendments. It has been pretty well balanced, if you want to look at it like that, from a political perspective. I hope we can improve the bill as we go forward. I hope we don't engage in a lot of class warfare rhetoric nonsense. It seems that that has been coming out lately. I don't think it is justified. It is not becoming to the Senate.

Taxpayers are entitled to tax relief. They haven't had it for the last couple years. Congress passed, in 1999, tax relief. President Clinton vetoed it. Congress passed a couple bills last year to eliminate the death tax and eliminate the marriage penalty. President Clinton vetoed them. Taxpayers are overdue in getting relief. It is time we give them some relief. This bill is the first good news the taxpayers have had, certainly since 1997, and the first signifi-

cant, real relief they have had in decades.

I am very hopeful and pleased that we will put this on the President's desk, hopefully, by next Friday.

I yield the floor.

THE PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, the great thing about our country is we can have honest differences of opinion, and we do. The Senator from Oklahoma says he is against redistributing income through the Tax Code. That is exactly what this bill does. Only this redistributes it up.

We have a circumstance in which the wealthiest 1 percent are getting a greater share of the tax reduction provided in this bill than they pay in Federal taxes. Now the Senator wants to talk just about income taxes. People don't only pay income taxes; they pay income taxes, payroll taxes, and other taxes. The wealthiest 1 percent don't pay 33 percent of Federal taxes—they don't. They pay 23 percent to 26 percent in Federal taxes, but they get 33 percent of the benefit in this plan. That is not fair. It is not fair.

The Senator talks about the estate tax. The fact is, the estate tax is paid by the wealthiest 2 percent of the estates in America. We agree there is a problem with the current estate tax because it bites at much too low a level—\$675,000 for an individual, \$1.3 million for a couple—before you start paying any tax. That is too low given what has happened to the value of financial assets, real estate and other assets.

I have supported increasing the estate tax to \$5 million for an individual, \$10 million for a couple, but eliminating the estate tax is fiscally irresponsible given the cost the Federal Government is going to face when the baby boomers retire. It costs \$750 billion the second 10 years. From where is the money going to come? The Senator from Oklahoma is going to shift that burden on to everybody else.

The tax policy is fundamentally a question of, what is the fairest way of distributing the burden in society? What is the fairest way? The Senator from Oklahoma apparently has a difference with this Senator, at least on what is fair. I don't think it is fair to take the people's money and give 33 percent of the benefit of this tax cut to the wealthiest 1 percent. I don't think that is fair. I don't think it demeans the Senate one bit to have that debate. I think it is exactly the debate the people of this country, who sent us here, expect us to have. What is the fiscally responsible thing to do? What is the fair thing to do? That is exactly what we ought to be debating.

We also have a difference on what the historical record is. The Senator goes back to the 1980s and talks about a doubling of tax receipts. But I think that is misleading because it doesn't take account of inflation. The way to best compare what happened to revenue and expenditure in different historical periods is by looking at revenue

as a percentage of gross domestic product and outlays as a percentage of gross domestic product. When you do that, it is very clear what happened in the 1980s. The spending went up with the big defense buildup the President proposed and Congress enacted. The spending went up as a percentage of GDP. The revenue went down sharply as a percentage of GDP. That opened up this massive chasm, which was deficit. The yearly difference between what we took in and what we spent multiplied the debt. The debt quadrupled, putting this country in a deep hole. And the same folks who designed that package are coming back with the one we see today.

The question is, what is the fiscally responsible thing to do? I don't believe it is responsible to pass this package. I don't think it is a fair thing to do, either.

I rise to offer an amendment to deal with one of the issues that I think is most unfair in terms of the bill that is before us. Every Senator has talked about the need to fix the marriage penalty. Indeed, we should fix it because some couples pay more taxes simply because they are married. That is not right. That is not fair. I think we all agree with those propositions. But this bill doesn't do anything about it for 4 years. There is no marriage penalty relief in this bill for this year. There is no marriage penalty relief in this bill for next year. There is no marriage penalty relief in this bill for the year thereafter. There is no marriage penalty relief for 4 years. I don't think we can leave this legislation without addressing the marriage penalty now.

The amendment I am offering would simply say, let's put in place those elements of this legislation that address the marriage penalty now. Let's do it this year. Let's put it in place immediately. I believe marriage penalty relief should begin as soon as possible—not 4 years from now, not 5 years from now, but now.

Under my amendment, the two key components of this legislation dealing with the marriage penalty would be put into place immediately: One, the standard deduction for married couples would double the deduction for single individuals; two, the top income limit in the 15-percent bracket for married couples would be double the limit for single individuals. This does not solve the marriage penalty, but they are the provisions that are in this bill. These are the provisions in this bill that do not take effect for 4 years. I am simply saying let's move them up and have them take effect immediately.

By providing marriage penalty relief more quickly, we are helping middle-class Americans, strengthening families, and removing tax disadvantages to marriage. I think we can all agree on that. We also help simplify tax filing for the many families who will no longer have to itemize their deductions. We are improving the fairness of the package.

The bottom line is, without this fix, a couple who got married last year will have to wait until their eighth wedding anniversary to get full marriage penalty relief. I don't believe that is right or fair. We can do better. This amendment is an attempt to do that.

My amendment is paid for by delaying the rate reductions for the top two brackets, so that the rates will drop to 35 percent and 38 percent in 2009, and to 33 and 36 percent in 2010. In essence, we are saying, put marriage penalty relief as a top priority.

AMENDMENT NO. 654

Mr. CONRAD. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from North Dakota [Mr. CONRAD], for himself and Mr. JOHNSON, proposes an amendment numbered 654.

Mr. CONRAD. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To accelerate the elimination of the marriage penalty in the standard deduction and 15-percent bracket and to modify the reduction in the marginal rate of tax)

On page 9, strike all after line 11 and before line 15 and insert the following:

"In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2002, 2003, and 2004.	27%	30%	36%	39.6%
2005 and 2006 ..	26%	29%	36%	39.6%
2007 and 2008 ..	25%	28%	36%	39.6%
2009	25%	28%	35%	38%
2010 and thereafter.	25%	28%	33%	36%

"(3) ADJUSTMENT OF TABLES.—The Secretary shall adjust the tables prescribed under subsection (f) to carry out this subsection, and in any fiscal year in which such adjustment results in an on-budget surplus smaller than the medicare HI trust fund surplus, the Secretary shall further adjust such tables to ensure that in such fiscal year the on-budget surplus is not less than such amount."

Beginning on page 19, strike line 8 and all that follows through page 20, line 12, and insert the following:

(1) by striking "\$5,000" in subparagraph (A) and inserting "twice the dollar amount in effect under subparagraph (C) for the taxable year";

(2) by adding "or" at the end of subparagraph (B);

(3) by striking "in the case of" and all that follows in subparagraph (C) and inserting "in any other case."; and

(4) by striking subparagraph (D).

(b) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6), as amended by section 103(b), is amended by striking "(other than with)" and all that follows through "shall be applied" and inserting "(other than with respect to sections 63(c)(4) and 151(d)(3)(A)) shall be applied".

(2) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

"The preceding sentence shall not apply to the amount referred to in paragraph (2)(A)."

(c) EFFECTIVE DATE.—The amendments made by

Beginning on page 20, strike line 21 and all that follows through page 22, line 4, and insert the following:

"(8) ELIMINATION OF MARRIAGE PENALTY IN 15-PERCENT BRACKET.—

"(A) IN GENERAL.—With respect to taxable years beginning after December 31, 2001, in prescribing the tables under paragraph (1)—

"(i) the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (a) (and the minimum taxable income in the next higher taxable income bracket in such table) shall be twice the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (c) (after any other adjustment under this subsection), and

"(ii) the comparable taxable income amounts in the table contained in subsection (d) shall be ½ of the amounts determined under clause (i).

"(B) ROUNDING.—If any amount determined under subparagraph (A)(i) is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50."

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. The Senator can offer an amendment in his own right.

The PRESIDING OFFICER. The Senator from North Dakota controls 1 hour on the amendment.

The Senator from North Dakota is recognized.

Mr. CONRAD. Mr. President, I say to the managers I have no desire to take an hour on this amendment, considering the other amendments Senators desire to offer. I am prepared to go to a vote very quickly on this amendment. Perhaps others want to speak. I understand that.

I ask unanimous consent that Senator JOHNSON be shown as an original cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CONRAD. Mr. President, perhaps others would like to speak. I am happy to work with the manager in whatever way he thinks is most appropriate in order to move things along. If the manager on our side wants to delay consideration and have other amendments considered or have others speak on other subjects, that is fine with me.

Mr. BAUCUS. Mr. President, as the Senator from North Dakota knows, we are trying to negotiate out a sequence and order of amendments. I very much appreciate the graciousness of the Senator from North Dakota. At this point, since I do not know what the Senator from Texas, who has an amendment on the subject, desires, I suggest that the Senator proceed with his amendment, and that after a reasonable period of time we will be in a much better position to know about how to sequence this. I urge the Senator to proceed.

Mr. CONRAD. I thank the Senator very much. I have made my initial remarks. I see the Senator from South Dakota, Mr. JOHNSON, now in the Chamber. He is an original cosponsor of the amendment. I think he would like time to speak on the amendment as well.

The PRESIDING OFFICER. The Senator from South Dakota.

Mr. JOHNSON. Mr. President, I thank my colleague from North Dakota. I will be very brief.

I applaud the work Senator CONRAD has done on the marriage penalty amendment by accelerating the marriage penalty relief to begin immediately. One of the great disappointments of the pending legislation is that the marriage penalty is not phased out until beginning the year 2005.

There are many of us who thought this was going to be one of the high-priority items we would be taking up in a tax cut bill, and yet we find nothing happens relative to getting rid of the marriage penalty for half a decade.

The offset Senator CONRAD has proposed is a delay in the phase-in of the marginal tax rates for the top two brackets, the 39.6 and 36-percent brackets. Those are families who are making roughly \$300,000 a year for the 39.6-percent bracket and about \$161,000 for the 36-percent bracket. This would be delayed. They would ultimately get the bracket reduction, the same as was initially proposed.

The question is, who has to wait? The people with the marriage penalty or the highest tax bracket? Somebody has to wait to fit into the tax plan, and it seems to me we ought to accelerate the marriage penalty, which benefits everyone who is married, regardless of what their income might be, and move forward with that.

Again, under this amendment, we will allow the phased-down reductions of those two top tax brackets just as was in the original bill. It is not a matter of eliminating bracket reduction, but it is a matter of having to choose, having to make a decision. We have to decide right here and now whose tax relief ought to come first. Should it be people who are, under Federal policy, being penalized for their marital status, or should the highest income people in America get their relief first and people who are being penalized for being married have to wait? To me, that is an easy decision. To me, public policy ought to encourage family stability. Public policy ought to encourage marriage, not discourage it, and in the course of trying to come up with a more equitable Tax Code, it ought to be among the very first items we address.

To delay tax relief on the marriage penalty in order to continue to quickly reduce the tax brackets on the wealthiest upper percentiles of the American public does not make a lot of sense to me.

This change would be a great benefit to married families all across South Dakota. It would affect, by slowing down the phase-in, fewer than 3 percent of the citizens of my State, but in exchange for that, they would get their marriage penalty relieved as well regardless of income levels.

This is a sensible, commonsense amendment being offered by Senator

CONRAD. It does nothing to the overall scope of the tax cut. It does nothing to eliminate the reductions in brackets for the top income tax brackets, but it does say, with an exclamation point, right here and now that we will make elimination of the marriage tax penalty immediately one of our priorities. We should not be phasing it in over the course of 5 years simply to allow the immediate reduction of tax payments by the wealthiest upper percentiles in America. That is the tradeoff. That is the balance and choice we have to make.

I applaud Senator CONRAD for his work on this amendment and hope my colleagues on both sides of the aisle will support the immediate elimination of the marriage penalty. I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield to the Senator from Colorado what time he might consume.

The PRESIDING OFFICER. The Senator from Colorado is recognized.

Mr. ALLARD. If I may have 15 minutes.

Mr. GRASSLEY. I yield 15 minutes.

Mr. ALLARD. Mr. President, first I commend Chairman GRASSLEY for his hard work in putting this tax bill together. He has done a great job as chairman of the Finance Committee, and we all appreciate how quickly he was able to get this tax cut out of his committee. He has provided critical leadership in the battle to provide tax relief to the American people.

I reiterate, as I have time and again, the budget surplus is the people's surplus, it is not the Government's surplus, and it is time to refund a portion of this surplus to the people who pay the bills. They are being overtaxed, and they deserve a refund.

This bill provides that refund in the form of lower income tax rates. It repeals the death tax. There is an increase in the child tax credit. There is relief on the marriage penalty provisions and tax relief for education expenses. That is a good start. I am one of those Senators who thinks there could be more done and should be more done as far as the size of the tax cut, but this is a good start.

My hope is that we can continue to improve this bill in the Senate and in conference, and that we can work for more tax cuts in a second tax bill later this year.

I have two concerns with this bill. First, the bill does not cut the income tax rates far enough. There should be no higher rate, in my view, than 33 percent. All of the tax brackets should be lowered so that we have only four rates: 10 percent, 15 percent, 25 percent, and then the final level would be the 33 percent.

In my view, no one should pay more than a third of their income in Federal income taxes. This is what the President and the House have proposed, and I am hopeful we can move to that in the conference.

The second concern I have is that this bill contains no reduction in the capital gains tax rate. I will, therefore, be offering an amendment to add this tax cut to the bill. My amendment will reduce the top capital gains rate from 20 percent to 15 percent with those in the lower brackets paying only a 7-percent rate on capital gains.

I have two versions of this amendment. One is a permanent rate cut. The other is a 2-year rate cut that should clearly raise revenue even under the Joint Tax Committee scoring.

I cannot understand why we do not have a capital gains cut in this bill. Both parties have come together in support of immediate tax relief to stimulate the economy, and, in my view, there is no tax that could do more to stimulate the economy than a further reduction in the capital gains rate if we could cut that further. If we want to pull the economy out of its slump, if we want to revive the stock market, if we want to return to full economic growth, we should cut the capital gains tax.

The greatest irony is we could cut this tax with no loss of revenue. In fact, a capital gains tax cut will actually raise revenue. This occurs for three reasons. First, a reduction in the tax on capital gains will, purely and simply, increase economic growth. Second, it will increase the value of capital assets held by taxpayers. Three, when the tax is cut, people will sell more capital assets. We open up the gates of commerce.

Remember, the capital gains tax is a voluntary tax. It is only paid when the assets are sold and investors are much more willing to sell capital assets when the tax rate is lower. This is not a theory. It has been proven time and again by history. Let me reflect on a few of those historical moments.

In 1997, we reduced the capital gains tax from 28 percent to 20 percent, and many of you, I think, in this Chamber will recall the debate over whether this would raise or lower revenues. We now have the answer. Revenue from capital gains increased dramatically after the tax rate cut. In fact, in just the 4 years since the rate cut, 1997 through 2000, the Government has received \$200 billion more capital gains revenue than forecast before the tax rate. I repeat, \$200 million in added revenue in just 4 years.

I call my colleagues' attention to this chart. I have placed a copy on each Member's desk. The chart shows for the years 1997, 1998, 1999, and 2000 the orange-yellow bars, what would have been the projected revenue from capital gains if we had not reduced the capital gains rate. The amount of growth that has occurred during this same period is phenomenal. This reflects the increase in capital gains revenue, and this projected what it would have been if we had not cut capital gains. It is substantial. It is \$200 billion in added revenue in 4 years.

Each time we have cut the capital gains tax rate, revenues have gone up.

This happened after the 1978 cut from 40 percent to 28 percent. It happened again in 1981 when the rate was cut from 28 percent to 20 percent.

By contrast, after the 1986 tax increase, revenues actually declined.

Then finally in 1997, after the most recent reduction in the tax rate, we experienced a huge capital gains revenue increase.

This added revenue has been a big factor in the budget surpluses of recent years. In fact, this \$200 billion of added revenue exceeds the entire non-Social Security surplus since 1997.

I refer my colleagues specifically to the four years since the 1997 rate cut from 28 percent to 20 percent. In each year you can see the revenue that was forecast before the rate cut, and then next to it the revenue that we actually received.

The revenues are virtually double the forecast after the rate cut—as I noted, \$200 billion in new money in just 4 years.

The increase in revenues should make this tax cut an easy sell, but that is not the main reason that we should cut the tax.

The main reason is that this tax cut immediately increase savings, capital investment, and stock values.

All of this is pointed out in Monday's Wall Street Journal op-ed by Arthur Laffer, Lawrence Kudlow, and Stephen Moore.

At this time I ask unanimous consent that this Journal article be printed in the RECORD at the close of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Exhibit 1.)

Mr. ALLARD. Let me just quote from the final paragraph of this article:

The last capital-gains cut in Washington led to higher productivity and capital investment, a spectacular surge in stock values, and a new age of federal surpluses. Isn't that exactly what is meant by a fiscal stimulus?

That is what is meant by fiscal stimulus. We should add this provision to our tax bill for the simple reason that it will get this economy moving again.

The American people are overtaxed.

Tax Freedom Day was May 3, this year. This is the latest it has ever been.

This means that average American families will work the first 123 days of the year to pay the combined tax bill from all levels of government—Federal, State, and local.

It is time for a tax cut.

We frequently discuss the budget surplus, but I believe that it is more accurate to refer to it as the tax surplus. The tax surplus represents an overpayment by taxpayers and should be refunded to those who overpaid.

Tax cuts will benefit all Americans by making the economy stronger. Low taxes reward work, saving, and investment. Low taxes provide the fuel for our economy to create new jobs and raise our standard of living.

Allowing people to keep their own money simply makes the most sense.

People are in a better position than the government to know what they need. I believe in the people's priorities, not Washington's priorities.

This tax cut is real money that can be used for the downpayment on a home, college tuition, or a family vacation.

While I want to add a capital gains tax cut, I know that this tax bill contains many important provisions.

All taxpayers will get immediate relief when the 15 percent rate is lowered to 10 percent on a significant portion of income.

The tax bill also increases the child tax credit, provides tax relief for education expenses, and eliminates the death tax.

I am particularly pleased to support repeal of the death tax. It is the one tax cut issue that comes up consistently.

The United States retains among the highest estate taxes in the world, and top estate tax rates can reach over 55 percent. This is money that was already taxed when it was earned.

The estate tax can destroy a family business. This is the most disturbing aspect of the tax. No American family should lose its business because of the estate tax or death tax.

Similarly, more and more large ranches and farms are facing the prospect of break-up and sale to developers in order to pay the estate tax.

Americans are spending more than ever on taxes. In fact, we now pay more in taxes than we do for food, shelter, and clothing combined. Since when did the Federal Government become more important than life's essentials?

It is time to reverse this trend by cutting taxes across the board. Low taxes will help our economy and will also help America's families.

I ask my colleagues to support my amendment to reduce the capital gains rate to 15 percent.

This addition will make the bill even stronger than it is now.

Adding this will stimulate the economy, increase saving and investment, and boost Federal revenues.

We should not let this opportunity pass without adding the tax cut that will do the most to restore the prosperous 4 percent to 5 percent economic growth that we experienced in the late 1990's.

There is no reason why our economy cannot sustain high levels of economic growth.

This is in fact the best way to ensure that we can continue tax relief, pay off the national debt, improve education opportunities, and finance the Social Security and Medicare commitments that have been made to the baby boom generation.

We need a strong and vibrant economy to fully achieve our goals and realize our dreams for all Americans.

A capital gains tax cut will help us to quickly restore that strong economy.

I ask for the support of my colleagues as we move to cut the capital gains tax rate.

EXHIBIT 1

[From The Wall Street Journal, May 14, 2001]

REAL RELIEF: A CAPITAL-GAINS TAX CUT

(By Arthur Laffer, Lawrence Kudlow, and Stephen Moore)

The budget deal reached last week between the White House and Congress calls for a \$100 billion tax-cut stimulus in 2001-02. Yet to be decided is the nature of those cuts. Congress, increasingly jittery about the sagging economy, will likely seek rate cuts that offer growth-enhancing tax relief quickly.

That makes a lot of sense. What doesn't is the tax-rebate plan that many in Congress wish to enact. The tax rebate is intended to send checks out to American workers to stimulate consumer spending. But more spending is not what the economy needs most now.

PERSONAL SAVINGS

This has always been an investment-led downturn, not a consumer slump. The huge federal tax overpayments have badly drained personal savings and undermined capital investment and risk-taking. The one tax cut that would immediately boost savings, capital investment and stock values is a reduction in the capital-gains tax.

Consider what has happened to Americans' wealth over the past several months. The Federal Reserve Board reported that Americans lost nearly \$2 trillion in wealth in just the last quarter of 2000 as a result of the stock-market decline. This is the equivalent of a \$20,000 evisceration in wealth and capital for each household in America. It is the lack of capital formation that poses such a tall barrier to resuming the prosperous 4% to 5% growth of the late 1990s.

Oddly enough, a capital-gains cut is not now part of the Bush tax plan or the congressional agenda. It should be. The capital-gains cut has the added political attraction that it is self-financing and, properly scored, would actually increase revenues.

The best course would be a permanent reduction in the capital-gains tax from 20% to about 15%. But if the rules of the budget agreement only allow a stimulus tax cut through 2002, Congress should still cut the capital-gains tax for the next two years. (We doubt any Congress would be foolhardy enough to raise the rate again, mortally wounding the economy just before the next elections.)

Any capital-gains cut would instantly be capitalized into the value of stocks. Stock values are determined by the discounted present value of the after-tax rate of return on the asset. So, capital-gains tax relief would immediately raise investment return and lower capital costs. This isn't just speculation. The past two capital-gains tax rate cuts—in 1981 and in 1987—were both followed by riptide gains in the stock market and the economy.

Reducing this tax will encourage investors to unlock cumulative gains of the past, liberating capital and freeing these funds to be reinvested in more future-oriented, entrepreneurial, growth-generating enterprises. In particular, it would spur venture-capital investment, which rocketed upward after the 1997 rate cut but has recently sagged badly. This pool of high-risk investment capital is essential to finance technological innovation, itself vital to productivity advances that will increase real wages and expand the economy's growth potential.

Moreover, this growth effect would be multiplied if the arbitrary one-year holding period for the long-term capital-gains tax rate were eliminated entirely.

Skeptics will accuse us of "voodoo economics" when we say that a capital-gains tax cut will raise revenue. But those skeptics—Dick Gephardt and Tom Daschle, in

particular—are just as wrong now as they were back in 1997 when the capital-gains rate was chopped to 20% from 28%. Congressional Budget Office data confirms a stunning gain in tax revenues from the lower capital-gains tax rate. Receipts more than doubled to \$118 billion in 2000 from \$54 billion in 1996.

In fact, revenues generated after the 1997 cut, compared with revenues predicted at the time, tell an amazing story. Before the tax rate was cut to 20% from 28%, the Joint Committee on Taxation predicted that we would collect \$209 billion from 1997 to 2000 from capital-gains payments. Instead, the capital-gains tax raised \$372 billion over this period. In other words, the lower tax rate yielded 80% more revenue over the four-year period than was projected if the rate had remained at 28%—a \$166 billion windfall. In fact, the capital-gains tax cut was a contributor to the big and unexpected budget surpluses that emerged in the late 1990s.

We aren't suggesting this capital-gains cut as a substitute for the George W. Bush's tax-cut plan. It's imperative that the White House stick to its guns on its planned reduction of the top tax rate to 33%, down from 39.6% today. The income-tax rate cuts are desirable because they will increase individual and small-business incentives that will raise the long-term growth potential and investment attractiveness of the U.S. economy.

RATE CUTS

But the income-tax rate cuts in the president's plan are far too backloaded (the top rate would only fall to 38% in 2002) to provide much juice for the economy right now. In fact, if the capital-gains cut raises more revenues, as expected, then it will help finance the Bush income-tax rate reduction plan.

The last capital-gains cut in Washington led to higher productivity and capital investment, a spectacular surge in stock values, and a new age of federal surpluses. Isn't that exactly what is meant by a fiscal stimulus?

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I yield myself such time as I may consume.

My purpose for rising is to discuss the amendment before the Senate, an amendment from the distinguished Senator from North Dakota, Mr. CONRAD.

Mr. REID. Will the Senator yield?

Mr. GRASSLEY. I yield.

Mr. REID. Just so the managers of the bill understand, Senator ROCKEFELLER indicated a willingness to speak on the bill itself. He will be over in 10 or 15 minutes.

Mr. GRASSLEY. We will do everything we can to accommodate Members of both parties. That is perfectly legitimate, particularly considering the fact that Senator ROCKEFELLER has many amendments to the bill and has strong feelings about the bill, and we have a responsibility to let the American people hear that point of view.

I think, in visiting about the marriage penalty, it is good to talk about tax relief for married families in the mark that goes beyond just the marriage penalty. The bill provides specific relief for married families. This is at all income levels. First, we expand the earned-income credit. That is a program for married families with children. The phasing in of the earned-income credit, which targets assistance

to low-income families, is expanded in our legislation by \$3,000.

I want to give Senator JEFFORDS from Vermont the credit for working so hard on this provision. He believes very strongly in a tax bill being equitable between different income levels. He tailored it so this relief happens immediately. This is not one of the portions of the bill that phases in. The next tax year, this provision of \$3,000 earned-income credit will take effect. So we are providing, in this section, something that is of immediate impact. In addition to Senator JEFFORDS, I should give appropriate credit to Senator SNOWE from Maine and Senator LINCOLN from Arkansas for this provision as well.

We are providing part of our relief for married families right away. I might add, it is a hallmark of this bill that the benefits provided to low-income families are immediate, while benefits to other income levels are phased in, as you have been told so many times over the course of this debate thus far. The income tax relief for married families is phased in over 4 years and completed in the year 2008. It provides for doubling of the standard deduction for those married filing jointly, and it makes the 15-percent rate bracket for married filing jointly two times that of someone filing single.

Income tax relief is provided for both one-earner and two-earner families. For those who want to start providing targeted income tax relief for married families earlier, where were these folks a few weeks ago when we were debating the size of the tax cut, particularly during the period on the budget? What happened when we went from \$1.6 trillion down to \$1.35 trillion—that was a desire more from the other side of the aisle than just a few on this side of the aisle. That is what makes it difficult to squeeze all these different, very important tax equity provisions into this bill. So anybody who complains about having to phase some of these things in more slowly, they could have taken hold much more quickly if we were dealing with a \$1.6 trillion package rather than a \$1.35 trillion package. The phase-in of the marriage relief reflects the realities of a budget resolution, then, that is down about \$300 billion.

I think, also, there is a certain amount of intellectual questioning that is legitimate in this process of a well-tailored bipartisan bill out of the Senate Finance Committee, that the Senate Finance Committee had to fit into a \$1.35 trillion package, and then complaining about the phase-in being so slow.

Somehow, I doubt my colleagues who mention these things would join me in offering an amendment that would increase the tax reduction by the amount necessary to provide immediate tax relief on the marriage penalty.

So we get back to something that is a familiar part of this debate today, and will be until we get done on Mon-

day, and that is this bill is balanced. It is balanced in fairness and equity. It is also balanced in a political way. This is a bipartisan bill.

I hope when this amendment comes up, we have strong bipartisan opposition to changing a very carefully crafted portion of the bill, the marriage penalty.

The bill also provides immediate tax reduction for all marginal tax rates as a means of helping to strengthen our economy and balances that with good tax policy of supporting the institution of marriage. If the economy is not strong, everyone, whether it is families, children, the elderly, or other groups of Americans, suffers.

The economy comes first, although I will say again, we do provide benefits for low-income married people with children right now. This is a figleaf amendment to cover up the fact that many people did not answer the call when the Senate was considering marriage penalty relief last year. This amendment harms our efforts to strengthen the economy. That is why I am urging its defeat.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. I would like to hear an explanation of how it harms the economy of the country to address the marriage penalty this year rather than wait 4 years. How is that? How does that hurt the country? How does it hurt the country to address the marriage penalty now instead of waiting 4 years?

Just the opposite is true. It strengthens the country to address the marriage penalty now and not wait 4 years. The fact is, on this side I offered a budget plan that had half as big a tax cut, but it dealt with the marriage penalty. In fact, it had more money to address marriage penalty than is in this bill. So it is not a question of since you supported a smaller tax cut that you were then preventing addressing the marriage penalty. There are other choices to be made.

How much you provide at the top end of the income spectrum is a key issue. Here is the problem with this bill. The top 1 percent get twice as much of the benefits as the bottom 60 percent. That is the problem with this bill. If you didn't design the tax proposal in this way, you would have no problem doing what I am doing with this amendment, which is to provide marriage penalty relief starting now, not waiting, as the legislation before us does, for 4 years to do anything. The problem they have is summed up very well in this chart. The top 1 percent get 33.5 percent of the benefit of this bill. The bottom 60 percent get 15 percent of the benefit. So the top 1 percent, people on average who earn in this country \$1.1 million a year—and that is great; I am all for them. I am pleased they are successful. It is a great thing about America. But when we are talking about taking the people's money and giving it back to

people, I am not for taking the people's money and giving a third of it to people who are on average earning \$1.1 million. That doesn't strike me as fair. That doesn't strike me as equitable. That doesn't strike me as balanced. That doesn't strike me as the way to strengthen the economy.

In this amendment I say let's address the marriage penalty beginning now. We do not have to wait 4 years to begin to address the marriage penalty. The marriage penalty is not right. It is hurting those who are in a circumstance in which the Tax Code penalizes them for being married. That is not right. Nobody supports that. I do not suggest anybody does.

The Senator from Iowa said some of us on the other side last year did not support a proposal on marriage penalty. You bet we did not support that because it did not solve the marriage penalty. It dealt with three of the provisions in the code that create marriage penalty, that impose a marriage penalty. There are over 60 provisions in the code that impose marriage penalty. On our side, we proposed giving taxpayers a choice. They could file as individuals, they could file as a couple, whichever benefited them the most. That is the only way to solve all of the 60 places in the Tax Code that impose a marriage penalty. That was not accepted. It was not passed.

In this bill, we have a different approach. It is a useful approach. It helps. But it is delayed. It is deferred. It is drawn out. What we are saying is: Look, let's address the marriage penalty now. Let's not wait 4 years before we start. And let's not wait until 2008 to fully phase it in. Let's start dealing with the marriage penalty now. I think that is fair and it does no harm to the country. It strengthens the country to do so.

I thank the Chair and yield the floor.

Mr. GRASSLEY. Mr. President, I yield myself such time as I consume.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. This legislation is a commonsense approach. Politically, it is bipartisan. In order to get anything through the Senate, you have to have that commonsense approach, something where we produce legislation that will get at least 51 votes. We have legislation here that will get a lot more than 51 votes. So the common sense is that there is a balance here: One, politically it is bipartisan. The other one is that it is balanced between short-term stimulus, immediate help for lower income tax rates, and helping those at the outer income. In the outer years, that is phased in to lower the top marginal tax rate.

The Senator's marriage penalty amendment upsets the balance that we have in this bill between short-term, immediate help and the long-term stimulus to the economy. This bill is balanced between a short-term stimulus of \$100 billion and then the changes in the higher marginal tax

rates which will have a long-term impact on the economy. He pays for his amendment by damaging the balance we have in this bill between short-term stimulus and long-term stimulus because, even though these rates are phased in over the next few years, by reducing the marginal tax rates, we have economic studies that show people will change their investment habits based upon the prospects and known changes of tax law. Even though the money is not in the pockets of the taxpayers, we know there is going to be changes of investment and spending habits, based upon the prospects of the marginal tax rates coming down that are going to be a long-term benefit to this economy—creating jobs, keeping inflation down, and strengthening the economy.

I plead with my colleagues, as they consider this legislation—it is fair to look at the equity of the bill, but the equity is between long-term stimulus, short-term stimulus, between partisanship or bipartisan. We have a balance through bipartisanship, and we have a balance between long-term stimulus and short-term stimulus.

So what is wrong with the amendment by the Senator from North Dakota? It isn't that he wants to do more about the marriage penalty. We all would. But this is a carefully crafted compromise, both for the political need to get a bill through and for the good of the economy. And we try to be fair in the process. That is why it upsets this very delicate balance.

We should keep our eye on the ball, and keeping your eye on the ball means: Where do we want to go? We want to be fair and equitable. We want short-term stimulus. We want long-term improvement to the economy. This bill does all that.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, when my colleague, who I respect and admire and like and work with frequently, makes these points, I just profoundly disagree. I do not think this is a balanced package. I showed the chart as to why I do not think this is balanced. He is talking about upsetting the balance. This is not my idea of balance. The top 1 percent get 33 percent of the benefits, and the bottom 60 percent get 15 percent of the benefits. Half as much for the bottom 60 percent as the top 1 percent? And this is called a carefully crafted balance?

Looking at it a different way, the bottom 20 percent get 1 percent of the benefits, the top 20 percent get 70 percent of the benefits. And this is a carefully crafted balance? There is no balance. The top 1 percent get 33 percent of the benefits, twice as much as the bottom 60 percent.

When we look at rate reduction, it is very interesting. These are the rates that are in the current code: For the 15-percent rate, they do not get any rate reduction, none, zip. Interestingly

enough, that is where the vast majority of the American taxpayers are. That is where 70 percent of the American taxpayers are. They get no rate reduction.

For the 28 percent, they get 3 points, about a 10 percent on rate reduction; the same is true at 31 percent; the same is true at 36 percent.

The very top, the very wealthiest who pay a rate of 39.6 percent, get the biggest rate reduction of all, but the bottom rate, where 70 percent of the American taxpayers are, gets nothing.

They call this balanced? I do not see any balance. They call this fair, carefully calibrated? Carefully calibrated if you are at the top. But if you are one of the 70 percent of the American people who are down here in the 15-percent bracket, you get no rate relief.

It does not seem carefully calibrated to me. It does not seem fair to me. It does not seem balanced to me. When there are five rates in the current Tax Code and only one rate gets no rate relief, and it just happens to be the rate where 70 percent of the American taxpayers are, that does not strike me as balanced. And the biggest rate reduction going to the very top bracket does not seem balanced to me.

I do not think it is going to seem balanced to the American people when they have a chance to review it. I do not think it is going to seem balanced to them when they have a chance to find out the details.

I do not think the 70 percent of the American people who find out they get no rate relief are going to think they have been treated very fairly. This thing is weighted to the very top, the very wealthiest among us. That is what this is. It is not balanced. It is not fair.

I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I have two charts as well. I am not sure I enjoy this battle of the charts.

Mr. REID. I say to Senator GRASSLEY—

Mr. GRASSLEY. Yes.

Mr. REID. I wonder if the Senator would like to enter into this unanimous consent agreement?

Mr. GRASSLEY. I yield to the Senator from Nevada.

Mr. REID. Mr. President, I ask unanimous consent that the pending Conrad amendment be temporarily set aside following the remarks of the Senator from West Virginia, and that Senator HUTCHISON be recognized in order to offer an amendment relating to the marriage tax penalty. I further ask consent that there be a total of 2 hours equally divided in the usual form for debate on both amendments concurrently. I further ask consent that following the use or yielding back of time the Senate proceed to a vote in relation to the Conrad amendment, to be followed by a vote in relation to the Hutchison amendment, with no amendments in order to the amendments prior to the votes.

I would say that the Senator from West Virginia has asked for 10 minutes. The PRESIDING OFFICER. Is there an objection?

As a Senator from the State of Kentucky, I object.

Objection is heard.

Mrs. HUTCHISON addressed the Chair.

Mr. REID. The Senator from Iowa has the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. The charts behind me contradict what the President—

Mrs. HUTCHISON. Will the Senator yield?

Mr. GRASSLEY. Yes.

Mrs. HUTCHISON. I want to ask about the process. I am able to do whatever I need to do, but I am not sure what the previous objection was regarding. So I do not know if it was to the offering of my amendment after Senator CONRAD's amendment, and then the votes, or if it was to the 10 minutes for the Senator from West Virginia. But if we could clarify it, then I would be able to plan, if the Senator from Iowa would help me clarify this situation.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, we could resolve this very quickly if the Senator from Iowa would allow us to go into a very brief quorum call.

Mr. GRASSLEY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. Mr. President, I renew my unanimous consent request that I pro-pounded before the quorum call.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The Senator from Iowa.

Mr. GRASSLEY. Mr. President, there may be honest differences of opinion between the Senator from North Dakota and I, but when he makes the claim that this tax bill is not fair, I refer to the chart behind me.

When our legislation is passed, this bill will make the income tax system more progressive. We have heard the other side say that the upper income gets more out of the tax cuts. First, the people paying the taxes will get more tax reductions. But after this bill is enacted, the wealthy will be paying more of the taxes than they are paying now.

As we can see specifically, where the Senator from North Dakota said that the top group would be getting 33 percent of the benefit, take into consideration that they are paying 35.9 percent of the total taxes today.

I have a second chart. This chart shows that the tax relief share is great-

est in families earning less than \$50,000. It is all because of our bill. More than half of the \$750 billion that we have in rate cuts in this bill go to the new 10-percent rate. We can see here that we have very carefully tried to craft a bill that is progressive and retains the progressiveness of the present tax system.

About the President's proposal, we are not dealing with the President's proposal on the floor today, as the President would like to have it. With the reality of the makeup of the Congress, it never will be. But let's just say that we were debating today the President's proposal that he announced in the campaign and behind which he still stands as his policy. If it were carried out, the top income people in America would be paying a higher percentage of the total income tax take of the Federal Treasury than they do today. So I don't want to hear anybody talk about the progressiveness of our tax system being diluted at all because of either this bill or the President's bill.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, the Senator from Iowa put up some very interesting charts.

The one he has there now says: Tax Relief Act Makes Tax Code More Progressive. Then under that it says: First Year Tax Relief.

This isn't a 1-year bill. This is a 10-year bill. That is the problem.

I displayed a chart earlier about all the measures that are phased in, all the things that come in later on, that benefit the wealthiest people in our country. He puts up a chart that talks about the first-year tax relief. That is not a fair measurement of what this bill does. That is what is wrong with the analysis.

This is what the bill does over the 10 years. It gives 70 percent of the benefits to the top 20 percent, and gives 1 percent of the benefits to the bottom 20 percent. It gives 33 percent of the benefits to the top 1 percent, twice as much as the bottom 60 percent receive. There is no way of disputing this. This is what the bill does. That is exactly what it does. I am not putting up a chart that just has the first year. This is not a 1-year bill.

The fact is, this bill is heavily weighted to the highest income people in the country. That is a fact. The chairman of the committee showed a previous chart that talked about how much people pay in income taxes. There is something missing from that chart, too. What is missing is payroll taxes.

The fact is, 80 percent of the taxpayers of this country pay more in payroll taxes than they pay in income taxes. Our friends on the other side just want to talk about income taxes. They want to forget about the fact that 80 percent of the people pay more in payroll taxes. It is when you put the full picture in front of people that you

see the results and the unfairness of this proposal. That is what reveals the top 1 percent get 33 percent of the benefit but only pay 20 percent of Federal taxes. That is when you include the estate taxes, the payroll taxes, the income taxes. But they don't want to talk about all the taxes people pay. They just want to talk about income taxes because that is the only thing that is being cut here—income taxes.

If we were going to be fair, we would be talking about all the taxes people pay. When we look at all the taxes people pay, we find this tax cut measure: 33 percent of the benefit goes to the wealthiest 1 percent and the bottom 60 percent only get 15 percent of the benefit. They justify it saying, the top 1 percent pay more income taxes. Yes, they do. Absolutely, I will stipulate to that. They do pay more income taxes. But they don't pay 33 percent or 35 percent of all Federal taxes. No. They pay about 20 percent of all Federal taxes. Yet they are getting 33 percent of the benefit here. It is not fair.

That is why it flunks the fairness test. That is why it ought to be opposed. That is why we ought to defeat this, make it go back to committee and come out with something that is more fair to the American taxpayer.

I represent a State where half the people make less than \$20,000 a year. They aren't going to get any benefit. They are not going to get any rate reduction—none, zero. Are they going to be surprised. The alternative minimum tax that currently affects 1.5 million people, when this gets in place, it will affect nearly 40 million people. Boy, are they going to be in for a big surprise.

I don't think this passes the fairness test.

I yield the floor.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, in the State this Senator represents, we are of moderate means. We can't afford a lot of charts. So when Senator BYRD and this Senator come to the floor, we don't usually use charts. We use whatever words we have.

I don't mean to make any big point of that. But sometimes I think charts are helpful; sometimes I think they are not. I will say this. I agree with the Senator from North Dakota that the bill is not fair. I voted for all the amendments which were defeated, but I do think the chairman of the Finance Committee, Senator GRASSLEY from the State of Iowa, was very fair in the way he conducted the hearing. I didn't agree with the result, but I thought his personal demeanor and the way he handled himself in the general disposition of the tax bill—that the Senator himself was personally very fair, and I respect that. I wanted to so say.

I am baffled, also, by what the fairness concept is. One of the things that amazes me—and I am here to talk for the marriage penalty, and I will—but when they talk about the rich, this is

sort of a mantra: If the rich make a lot of money, then they should get a tax credit because they did make a lot of money, which goes somehow on the idea that they really struggled their way through life and stock options and other things didn't help them.

The point, of course, is that during these last years, the pretax income of the very wealthy has been so enormous that, obviously, they have paid more taxes. But the reason is that their pretax income was so much higher. Even after they did pay their taxes, their resulting net income was much higher than it had been previously. I think that is a very important point.

I think another important point to be made, before I get to Senator CONRAD's amendment, is that one of the things that, it seems to me, people have not focused on either in the press or, as I find it, in general conversation, is that once the Senate and the Congress, with the encouragement of the President, cut taxes to the extent that I believe we may, that is revenue forgone, not for a period of 10 years but probably 10, 15, or 20 years.

There was a time when you could come in and say, well, we are at a certain crisis and, for a certain reason, we have to raise taxes. I think those times have passed. The American people are not going to stand for it if we lower their taxes and then come back in 3 years, as we did after a year and a half with the balanced budget amendment with the hospitals and other health care facilities, and say we made a mistake; we want to change the rules. The American people won't stand for that, nor should they.

If we want to take a stand, now is the time we need to do that. The stand should be for fairness, and this bill doesn't meet any of those tests that I can find. I look upon the future of the country and upon the future of my State, West Virginia, and I worry about whether or not we are all going to make this. I think we are going to be back in very substantial double-digit deficits—triple digit, quadruple digit, multiple digit. I also think that the markets are going to take a very bad signal from this. They are going to think Congress has acted, as we are acting, in a very hasty manner. The Joint Tax Committee hasn't even scored a lot of the costs of this bill, even as we discuss this matter.

The 20 hours is running, and we are going to vote on Monday, I presume. We really don't know what we are voting on. Very few Senators outside of the Finance Committee, and maybe not many on that committee, are able to tell you that. So we have our votes and we think we are making substantial points, but most of this is flowing underneath the radar screen, under our feet, and the cost of it is going to be enormous.

I fear for that because eviscerating the Federal budget may be attractive if one wants to diminish the size and role of Government in America, but there

are, after all, some things the private sector cannot do and there are things the public sector does have to do—in Medicare, health care, FAA, FBI, and border control; all kinds of programs are a part of that.

The Presiding Officer wants to see a third airport built in the State of Illinois. I happen to share his view. I also happen to share the view that there should be another runway built at O'Hare. Neither the Presiding Officer nor I are going to see that happen, unless there is money to make it happen.

So having divested myself of those particular thoughts, I want to say that I strongly support the Conrad amendment and I think we need marriage penalty relief now.

The proposal the Senator is making would make the marriage penalty available to couples in 2002. The way we did it in the Finance Committee was to make it available in 2006 and then, because of certain problems of scoring, et cetera, it was brought back to 2005. The point is, we are playing a budget gimmick and we are withholding something which people all over this country—couples—think they absolutely are going to have as soon as this bill passes, if indeed it does.

So, in a sense, we are misleading them. We are grossly distorting what we have said to them, and they don't know it. It is only on occasions such as this when one has a chance to say it, but it is not usually reported because it is not considered newsworthy. But it will be very newsworthy to the American people when they discover they do not get marriage penalty tax relief until the year 2005. That is wrong.

On the other hand, we can change it by simply saying we will take the two top tax brackets and put those off a little bit and make it available in the year 2002. That is what we promised we would do. That is what we campaigned on. That is what we discussed we would do, and we ought to do that. That is what the Conrad amendment, in fact, does—charts or no charts. It does that. I think that is right and fair.

I think the amendment is fiscally responsible because it is paid for; it is offset by delaying the reductions in the two top tax brackets. So we are leveling with the American people, but we are also doing something that they expect to happen. They know gasoline prices are going up and we are not doing anything about that. We told them we were going to give them marriage penalty relief, and we are not going to do that. Through this amendment, we can do that. I think it is something we should proceed to expeditiously, so that if we take our word to the American people about 2002 and marriage penalty tax relief, and doing it in a very good manner, then it would seem to me one would vote yes. If one values that less than the so-called sanctity of the two top tax brackets, then I suppose one would vote no. I intend to vote yes. I think it is a rather easy decision.

I thank the Presiding Officer, and I yield the floor.

THE PRESIDING OFFICER (Mr. FITZGERALD). The Senator from North Dakota.

Mr. CONRAD. Mr. President, I yield 5 minutes to the Senator from Florida.

THE PRESIDING OFFICER. The Senator from Florida is recognized.

Mr. NELSON of Florida. Mr. President, I compliment the Senator from West Virginia for his insight and tell him that apparently there is a lot of similarity in the thinking of the people of West Virginia and the thinking of the people of Florida. Indeed, they take for granted that if we are saying we are going to eliminate the marriage penalty so that it doesn't penalize married people, so that it promotes family—that if they take for granted that we are going to do that, they expect to have that tax benefit immediately instead of having to wait 5 years into the future.

It is common sense to me, if we have made this promise to the people of America, and I have made this promise to the people of Florida, that we should have that tax benefit—in other words, that you are not penalized in the Tax Code if you are married—instituted immediately.

I thank the distinguished Senator from West Virginia for his comments.

THE PRESIDING OFFICER. Who yields time?

Mr. CONRAD. Mr. President, I suggest the absence of a quorum.

THE PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

THE PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. Mr. President, this is clearly a very important debate, and we very much want to reduce taxes for the American people. We want to do it fairly. Different Senators have a different perception of what fair is. It generally reflects their States. States are different. For some, it reflects different ideological points of view. It is America. We all have different points of view, and we are all trying to do the best we can.

There is an old saying about statistics: Anybody can do what they want with statistics. When Senators are arguing their points, they are going to find facts and figures and use statistics that make their case better, the basic problem being in most cases Senators do not give the full picture because, correctly, they are advocating their point of view.

That must be very frustrating to the American public. Who is right? Somebody makes one set of claims; somebody else makes another set of claims. The tax legislation is confusing enough as it is, but when people hear different sets of numbers, they seem to be juxtaposed to one another. Who is right?

It is basically, for the reasons I indicated, because Senators tend to choose statistics that make their case, but are not broad brush and do not give a fair picture.

I begin with complimenting the Senator from North Dakota. I do not know anybody in this body who has a greater command of the budget, the effects the different proposals in the budget have on the American economy, tax distribution, and all the components that go into a budget. He has charted us out in many respects, particularly in our conference luncheons on Tuesdays. We saw a lot of good charts. They are very informative. It pretty much helps the debate. It is very hard for people to hear statistics, and it is a little easier if they see charts, particularly if they can see not just a bunch of numbers but a graph which shows trends. The Senator from North Dakota has done a super job in helping to educate this body, and particularly the American public.

I want to point out a little broader picture of the lay of the land. Basically, the statistics presented by the Senator from North Dakota about the distributional effect of the bill before us, particularly the top 1 percent—and his argument that the bill gives a greater proportion of benefits to the most wealthy compared with current law—is accurate if you include estate tax provisions. But there are lots of analyses that show it is not accurate if you do not those provisions.

Most Senators do want to include Federal estate tax reform and/or repeal. That is a fact. I know the Senator from North Dakota does.

Let me talk about the Joint Tax Committee analysis. They are the group we look to for honesty and integrity in this process. Unfortunately, they only do analyses for 5 years. They rank income categories according to groups. Their analysis is a little different than the so-called Citizens for Tax Justice, a privately funded organization, which tends to do analyses in quintiles, rather than income brackets, like the Joint Tax Committee.

According to the Joint Tax Committee, taxpayers with incomes of \$200,000 or more—that is the top 4 or 5 percent of taxpayers—do not receive 33.5 percent of the benefits of this bill, as my good friend from North Dakota says. Instead, they will receive 22.5 percent of the benefits of the bill. Those are taxpayers who pay about 32 percent of all Federal taxes, not just income taxes.

In fact, if you use the same analysis used by my good friend from North Dakota, the top 1 percent of taxpayers pay 26 percent of all Federal taxes and would receive 19 percent of the tax cuts in the bill if you take out the estate tax provisions.

We have to be honest with ourselves: Are we or are we not going to include estate tax provisions? Those making the case that the distributional effect helps upper income Americans more,

are not saying they prefer that because they favor Federal estate tax reform and/or repeal.

I am pointing out that when you include Federal estate tax, the analysis is more accurate, but almost every Senator wants to include estate tax reform and/or repeal. The results work out that way because clearly the most wealthy Americans get the benefit of estate tax reform and/or repeal.

In summation, the top 1 percent of taxpayers, according to the analysis by the Citizens for Tax Justice, are those with incomes of \$373,000 or greater, and the argument is these taxpayers receive 33 percent of the benefits of the bill.

If you look again, more deeply at the argument, the analysis presented includes estimates of the distribution of the estate tax provisions of the bill. Again, both parties, and nearly every Member of this body, support estate tax reform and/or repeal, and no matter how you do estate tax reform, nearly all the benefits go to the wealthiest Americans, and that is why there is that result.

If I were writing this bill, it would be different. But I wanted to make it clear that the statistics—if we are honest with ourselves, we have to indicate whether or not we are for estate tax reform and/or repeal, and if we are—and most Senators are—then the statistics tend to have the result that people who also want estate tax reform complain about.

I hope that clarifies things a bit, so we at least know what we are doing. I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

AMENDMENT NO. 659

Mrs. HUTCHISON. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Texas [Mrs. HUTCHISON], for herself and Mr. BROWNBACK, proposes an amendment numbered 659.

Mrs. HUTCHISON. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To begin the phase-in of the elimination of the marriage penalty in the standard deduction in 2002 and to offset the revenue loss)

On page 19, beginning with line 21, strike all through the matter preceding line 1 on page 20, and insert:

“(7) APPLICABLE PERCENTAGE.—For purposes of paragraph (2), the applicable percentage shall be determined in accordance with the following table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2002	170
2003	175
2004	180

“For taxable years beginning in calendar year—

2005	185
2006	190
2007	195
2008 and thereafter	200.”.

On page 20, line 14, strike “2005” and insert “2001”.

On page 29, line 4, strike “\$2,000” and insert “the applicable amount”.

On page 29, line 7, strike “\$2,000” and insert “the applicable amount (as defined in section 530(b)(6))”.

On page 29, between lines 7 and 8, insert:

(3) APPLICABLE AMOUNT.—Section 530(b) is amended by adding at the end the following:

“(6) APPLICABLE AMOUNT.—The applicable amount shall be determined in accordance with the following table:

“In the case of taxable years beginning in calendar year—

2002 or 2003	\$500
2004 or 2005	\$750
2006 or 2007	\$1,000
2008 or 2009	\$1,500
2010 and thereafter	\$2,000.”.

On page 35, strike lines 21 through 23, and insert:

(h) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(2) SUBSECTION (c).—The amendments made by subsection (c) shall apply to taxable years beginning after December 31, 2005.

Strike section 412 and insert:

SEC. 412. INCREASE IN INCOME LIMITATION ON STUDENT LOAN INTEREST DEDUCTION.

(a) INCREASE IN INCOME LIMITATION.—Section 221(b)(2)(B) (relating to amount of reduction) is amended by striking clauses (i) and (ii) and inserting the following:

“(i) the excess of—

“(I) the taxpayer’s modified adjusted gross income for such taxable year, over

“(II) \$50,000 (\$100,000 in the case of a joint return), bears to

“(ii) \$15,000 (\$30,000 in the case of a joint return).”.

(b) CONFORMING AMENDMENT.—Section 221(g)(1) is amended by striking “\$40,000 and \$60,000 amounts” and inserting “\$50,000 and \$100,000 amounts”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 2001.

On page 53, line 12, strike “\$3,000” and insert “\$2,000 (\$1,500 in the case of 2002)”.

On page 53, line 21, after “\$5,000” insert “(\$3,000 in the case of 2004).”

On page 311, line 10, strike “\$49,000” and insert “\$48,000”.

On page 311, line 16, strike “\$35,750” and insert “\$35,250”.

Mrs. HUTCHISON. Mr. President, first, I respect the distinguished chairman, Senator GRASSLEY, and his ranking member, Senator BAUCUS, for crafting the tax reduction bill. I know and understand in order to get a complicated and very important bill through a committee that is evenly divided, many compromises must be made. I know Senator GRASSLEY would not have written the bill exactly this way, nor would Senator BAUCUS, had they been able to write it by themselves.

It is with great respect I offer my amendment that somewhat changes the order of the bill, although it is not a huge deviation.

Looking at their timetable, I realize how difficult it was for them to say which tax relief comes in the early years and which comes in the later years. When I decided I wanted to try to move the marriage penalty up, it was hard to find something to trade. It was hard to find the offset. Everything in the early years is a very important tax cut and it represents very important tax relief for every American family.

I agree with Senator CONRAD, we should bring the marriage penalty up earlier, but I disagree with his offset. I think the cut in the tax rates for every working American is the very highest priority. I am going to offer an amendment that would bring the marriage penalty relief up to 2002, rather than beginning in 2006 as in the underlying bill. My offsets are the deductions for some of the education expenses being streamlined over a longer period of time.

In the bill before the Senate, the marriage penalty relief starts in 2006 and ends in 2010; my marriage penalty standard deduction doubling starts in 2002 and ends in 2008. It is fully effective in 2008. We have the full doubling of the standard deduction by 2008, starting in 2002. In order to achieve that, it was necessary to streamline the phasing in period of the education IRA and the education expenses that have the added deduction. The deduction maximum for the education expenses under my bill in 2002, would be \$1,500; 2003, \$2,000; 2004, \$3,000; and in 2005, \$5,000. Under the underlying bill, all of the deductions end in 2005. My amendment does the same.

There would be a phasing in difference and it does chip away at the phase-in of the deduction for education expenses. The tradeoff is we double the standard deduction, starting immediately in the 2002 year.

These are tough choices. There is no doubt about it. I understand that. I have been working on marriage penalty relief for the last 4 years. We have passed it in the Senate twice, but it was vetoed by President Clinton. Today we have a chance to finally begin the process of relieving the marriage penalty.

The marriage penalty came about as an accident. Congress doesn't mean to tax married people more than two single people living together individually would be taxed. But it did happen that the Tax Code has evolved so that there is not a doubling of the standard deduction when two people who are single get married; there is not a doubling of the 15-percent bracket or the 28-percent bracket or the 33-percent bracket or the 39.6-percent bracket or any other bracket. There is no doubling.

In the underlying bill, the relief for the 15-percent bracket, the full doubling, which gives every working American that doubling capability, is there. The doubling of the standard deduction is there. But it doesn't start until 2006.

I am trying to double the standard deduction beginning in 2002, to at least start the relief from the marriage penalty tax.

Fifty million couples in this country are affected by the marriage penalty. We received a census report in the last 10 years, and we see a dramatic 77-percent rise in the number of single people who are living together, unmarried. I am not trying to tell anybody how to live. But I think the marriage penalty has something to do with that. I have had people tell me they are delaying getting married until we fix the marriage penalty. Whether or not that should be a factor is not for us to judge, but nevertheless we should not have a Tax Code that penalizes people who get married.

Generally, people who get married need more help, not less, because their expenses are more. They may have to have a house on which they want to make a downpayment, whereas before they lived in an apartment. They may need another car. There are any number of added expenses. Of course, if the couple starts having children, we know there are more expenses.

We want to encourage the family. It is the stability in this country that gives people the infrastructure they need to get through life. We want to encourage that. We certainly don't want to do something in government policy that discourages families.

I understand how hard it was for the committee to make the tough choices, but I address the marriage penalty relief earlier in the bill. Although I like all of the education deductions, I phase them in at a slower rate in order to move the doubling of the standard deduction up to the front.

I think the significant tax relief that the American people are going to get from this bill is a tribute to those who wrote it and to the President of the United States, who made it his priority. I think it is very important we give tax relief. I am so pleased we are giving tax relief in the form of a tax bracket reduction for every single working American. That is why I could not go along with Senator CONRAD's approach to doubling the standard deduction and relieving the marriage penalty in lieu of the rate cuts. Single people get the rate cut and married people get the rate cut and that is the way it should be. Everyone should get the biggest tax relief, and that will come from the rate cuts. So I would not put the marriage penalty in front of the rate cuts. But I do put it right after the rate cuts, which is why I have chosen to go a different route from Senator CONRAD.

I am very proud that we will be giving a rate reduction to every single working American. I am proud that we are going to take away the onerous burden of the death tax so a family-owned business or a family-owned farm or family-owned ranch will not have to be sold, putting all the people who work for that family-owned business out of work, because passing our fam-

ily businesses from generation to generation will keep small business strong.

It is small business that is the economic engine of America. It is not big international conglomerates that are the economic engine of America. I want to preserve our family-owned businesses and farms and ranches as much as we can. The elimination of the death tax is the best way to preserve family-owned businesses and farms and ranches. All the people who work for those family-owned businesses should have job stability and not worry about being taken over by some big international conglomerate that is going to eliminate their jobs. I certainly favor the elimination of the death tax.

Doubling the child tax credit is another facet of this bill that I support fully. Everyone who has children knows how expensive it is to do for them all the things that you want to do, that would give them a better chance: The music lessons, the dancing lessons, the clothes, the soccer uniforms, the baseball uniforms—all the things you want to give them so they learn team spirit and sportsmanship, seeing what talent they might have and nurturing that. All those things cost money. We know that. We want to give relief through the child tax credit.

The bottom line is this is really a good bill. It is a good bill because it gives tax relief to every working American: Single, married, parents, not. It gives relief to every working American, and it promotes job stability. That is important.

My amendment is not meant to in any way say the committee did not do its job. The committee did a great job. I just want to make it a little better. I hope we can bring the marriage penalty up and streamline the education deductions and thereby add more relief from the marriage penalty and try to increase the capability for those in our country who have chosen not to get married because they really need that extra \$1,400 a year that they get.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, first of all I thank the Senator from Texas for supporting the fundamental idea of moving up marriage penalty relief. I would just differentiate our proposals in this way.

The proposal I am offering would give the full marriage penalty relief starting immediately. The Senator from Texas would provide the relief starting immediately but phase it in over an extended period of time; we would not get the full phase-in until 2008. That would just be on one of the provisions dealing with marriage penalty. As I understand it, she does not deal with the other provisions at all.

In addition, there is a difference in the pay-for. The pay-for on our side is to ask those at the highest income levels, the highest tax brackets, to simply

have their tax cut deferred for a number of years. We get to the same level over the period of the 10 years in tax rates, tax brackets. We ask the fewer than 1 percent of the people who are in the very top tax bracket and the approximately 2 percent of the people who are in the next tax bracket to defer additional reductions so we can provide marriage penalty relief starting immediately.

The Senator from Texas has a totally different pay-for. She goes after student loan money; she goes after the education IRA money; she goes after the alternative minimum tax money. I do not think that is the way we want to pay for this. I don't think we want to pay for moving up marriage penalty relief by going after the student loan interest money. I don't think we want to pay for marriage penalty relief by going after the education IRA money that allows people to save for the education of their children. I don't think we want to go after the alternative minimum tax money that we already know is totally inadequate in this bill, and under this bill we are going to go from 1.5 million people being affected by the alternative minimum tax to nearly 40 million people, nearly 1 in every 4 taxpayers who think they are going to get a tax cut and are in for a big surprise: They are going to get a tax increase under this bill.

I hope Members will look very carefully at the fundamental differences between what I am offering to speed up marriage penalty relief—do it immediately, do it now—versus what the Senator from Texas is proposing, which is to start now but to dribble it out until the year 2008.

Is the Senator from Michigan seeking time?

I yield 5 minutes to the Senator from Michigan. Then I announce my intention to yield 10 minutes or whatever he will consume to the Senator from North Dakota.

Ms. STABENOW. I thank the Senator.

The PRESIDING OFFICER. The Senator from Michigan.

Ms. STABENOW. Mr. President, I commend our Democratic leader from North Dakota, Senator CONRAD, for his outstanding advocacy for fairness in this tax bill, for fiscal responsibility, for really coming to the heart of the issue before us, and that is: How do we make sure the bulk of the tax relief in this bill goes to hard-working middle-class families, goes to the people who are working hard every day and need the relief in order to be able to translate that into more opportunities to put money into those items that are important for their families? How do we make this more fair for the majority of Americans?

I rise as someone who was a Member of the House of Representatives for 4 years, who supported the elimination of what is called the marriage tax penalty. I was a cosponsor of the Republican bill in the House of Representa-

tives and voted consistently to eliminate this penalty for reasons that have been raised by colleagues on both sides of the aisle. It makes no sense whatsoever for us to tell a married couple that they will somehow be penalized under the Tax Code for being married. That makes no sense. It affects over 25 million couples in this country.

At a time when we are saying an important value for our country is to be supporting marriage and family, and to make sure we are giving every opportunity for couples to succeed and families to succeed, it is crazy, in my opinion, and makes no sense whatsoever, to have this provision in place. It should have been done away with a long time ago.

My colleague from North Dakota is saying it is time to do it right away. By 2002 we need to fully provide relief for couples. We ought to say it is time to end it. It is past time to end it. We ought not say to them we are going to phase it in over several years, but we are going to place families and couples as a top priority and end this penalty now.

I think it is fair to say to the fewer than 3 percent of the taxpayers at the highest levels, we are going to ask you to delay full tax relief for yourself, those who have done extremely well. We want them to do well, but certainly those who are best able to wait awhile for a delay in their full tax relief, we are going to ask them, the fewer than 3 percent: Delay, in order for over 25 million couples in this country to receive the relief that is long overdue. It is an issue of fairness.

I believe that when we look at what we are talking about in terms of the number of people who would benefit by this amendment, and those who are asking for a small delay, it is a question of fairness.

I also say to my colleague from Texas on the other side of the aisle, who spoke so eloquently, while I share her desire to eliminate the marriage tax penalty, I am very concerned about the tradeoff that she is suggesting we make because another important value for all of us, and for our families, is the ability to educate our children, to be able to send them to college. I am very concerned about trading off the marriage tax penalty and paying for it through a lessening of student loan interest deductions or the education IRA because, again, this is about how do we best support families who are having to make tough choices every day.

Let's not penalize them for being married. Let's make sure they have every opportunity under the Tax Code to be able to send their children to college, to job training, to be able to give their children every opportunity to succeed, and to be educated adults.

So that tradeoff does not make sense. What does make sense is eliminating the marriage tax penalty now. We can do that this next year. We need to do that now. Families have waited long enough. Couples have waited long

enough. It seems reasonable to ask for a small delay for less than 3 percent of the taxpayers in order to allow the majority of couples in this country to be able to get the relief that is long overdue.

Mr. President, I yield back any time I have remaining.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I yield 10 minutes to the Senator from North Dakota.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Mr. President, I thank my colleague for the time.

This issue, as it has been described, is about the marriage tax penalty. There cannot be anyone left in the Senate who does not understand this issue. We have debated it and debated it and debated it. Everyone stands up, almost automatically, in the Senate, and says: I am for getting rid of the marriage tax penalty. Count me in. I want to vote for getting rid of the marriage tax penalty.

We have a tax bill that has now been brought to the floor of the Senate, and it says: Do you know what. We have written a bill that gets rid of the marriage tax penalty. It is similar to an employee being called into an office and the employer says: Good news. Do you know what. We are giving you a raise.

Then the employee says: When does this raise start?

The employer says: 5 years from now. But we aren't going to give it to you all at once. We'll phase it in. It starts in 5 years, and it takes 8 years to get the full amount.

Look, if we want to get rid of the marriage tax penalty as we have advertised for so many years, why would we not decide that as a part of this tax bill we are going to give real tax relief right now to middle-income taxpayers who are paying a marriage tax penalty? Why would we wait some 5 years?

I ask the Senator from North Dakota, Mr. CONRAD, in his proposal in which he says, let's make the marriage tax relief available now—and, incidentally, that is tax relief that principally affects middle-income taxpayers who have a penalty under the marriage tax—let me ask him how he would pay for moving up that tax relief so it becomes effective next year, almost immediately.

How does the Senator pay for his amendment?

Mr. CONRAD. The pay-for in my amendment is to delay the rate cuts for the top two rates, the 39.6-percent rate and the 36-percent rate.

As the Senator knows, there are about 3 percent of the American people who are in those very top rates. We still give them the full rate reduction included in this legislation; we just delay it so that we can affect a significant number of people who are in the marriage penalty situation. As you know, there are 50 million couples who

have filed a joint return for the most recent year for which the full details are available, and 25 million of them experienced the marriage penalty. That is 25 million couples. That is 50 million people.

The legislation I am offering says: Let's allow those people to have relief from the marriage penalty and do so immediately, and have the full benefits of this legislation that addresses the marriage penalty effective in the next year.

Mr. DORGAN. If I might ask an additional question, Mr. President, my understanding is that the beginning of tax relief for the top 1 percent of the income earners in this country starts immediately, but the beginning of trying to deal with the marriage tax penalty starts about 5 years from now. Is that correct?

Mr. CONRAD. Yes. Actually, overnight they changed it. It was not going to take affect for 5 years. In other words, this chart says, marriage penalty relief for middle-income taxpayers was going to be delayed until 2006; it did not do anything for 5 years. Now it has been changed and moved up 1 year. So it does not do anything for 4 years in terms of marriage penalty relief.

What we are saying is, let's do it next year. Let's make it a priority.

Mr. DORGAN. One additional question.

When will the marriage tax relief be fully effective?

Mr. CONRAD. Under the bill that is before us, not until 2008. Under my proposal, there would not be any phase-in. We would do it all the first year.

Mr. DORGAN. I know my colleague has studied economics. I have studied economics and actually taught a little economics but was able to overcome that experience.

When you study economics, you will learn about John Maynard Keynes' saying: In the long run, we're all dead. Right. So it is interesting this tax bill says: Look, here is what we are going to do. We are going to get rid of the marriage tax penalty, and we are going to do this and that and the other thing; and then you look at the fine print and find out that for the marriage tax penalty, they do not start getting rid of it until 2004 or 2005. I guess you say now it has been altered. It does not complete until 2008.

So we are really talking about the long run, aren't we? But, yes, if you happen to be earning \$10 million a year in income, you are going to get immediate tax relief by a rate reduction right at the start. Right at the get-go, right at the starting line, you at the top are going to get a rate reduction. But there is not enough money to provide relief for the marriage tax penalty right away, so that is deferred 4 years, 6 years, 8 years, or, as Keynes would say, in the long run.

One wonders if there is not a short run and a priority that allows us to say, look, the hard working families who are paying a marriage tax penalty,

shouldn't they be moved right to the front of the line.

Almost everyone jumps up instantly around here the minute you mention the marriage tax penalty and say: I am for getting rid of it. Count me in. I want to vote right now—except this tax bill does not do that.

Remember, John Mitchell once said: Don't listen to what we say. Just watch what we do. That might be good advice for this marriage tax issue as well. People say: We are going to get rid of the marriage tax penalty. Not now we aren't, not unless we adopt this amendment offered by Senator CONRAD.

Of course we ought to adopt this amendment. Of course this is the right priority. Senator CONRAD is not saying everyone should not get a tax cut. He is not saying the top rates should not get a tax cut. That is not what he is saying at all. He is saying, the priority ought to be to provide marriage tax penalty relief now—not in 2004 or 2005, not in 2008, but now, for the American people.

That makes eminent good sense to me. He is not suggesting that further rate reductions should not occur at the top level. He is not suggesting we defer tax relief for anyone else up or down the chain. He is simply saying, use, as a priority, the money that he has in his amendment to provide marriage tax penalty relief now.

If everyone in the Senate is true to the votes they have cast in the last 3 or 4 years on this subject, Senator CONRAD will receive 100 votes for this amendment. If so, I will congratulate him and say: Well done. I hope when the vote is cast, we will have people voting the way they have voted in the past 3 or 4 years on this issue to say: Let's provide marriage tax penalty rate relief right now.

Mr. CONRAD. I think it is important to point out the differences between my amendment and the amendment of the Senator from Texas. As you know, in terms of marriage penalty relief, there are two provisions. One is to double the standard deduction for a married couple from what is provided single taxpayers. The second is to deal with the fix on the 15-percent bracket so that we also are providing relief that way.

The Senator from Texas would start the standard deduction relief in 2002, which is more quickly than what is provided for in the underlying legislation, but she would then string it out to 2008. Her amendment does nothing to speed up the fix on the 15-percent bracket. There is no improvement there.

My amendment takes both provisions that are designed to deal with the marriage penalty and puts them into place next year and pays for it by deferring the reductions for the very top brackets, the top 3 percent of earners in the country. They get their full relief, but it is delayed so that we can give relief to 25 million couples—50 million people—who are affected by the marriage penalty.

Mr. DORGAN. Mr. President, the reason I mentioned that everyone in the Senate supports this, no one stands up in the Senate these days and says: I think it is perfectly appropriate for us to have a penalty in the Tax Code for married couples. I don't know of anyone who supports that. The question remaining for the Senate is, Shall we fix that now or shall we wait until later? Senator CONRAD says: Let's fix it now. Let's make adjustments to this proposal that is on the floor. If we all agree that the marriage tax penalty should be fixed, the Senator says, let's fix it now rather than much later.

That makes sense to me. I am pleased he offered the amendment. I will be pleased to vote for it. I hope every one of my colleagues will do the same.

I yield the floor.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I find it a little bit interesting. I will be very brief.

Mrs. HUTCHISON. Mr. President, parliamentary inquiry: How much time does my side have remaining?

The PRESIDING OFFICER. Forty-three minutes, 19 seconds.

Mr. NICKLES. I find it very interesting that a couple of the proponents on the Democrat side are saying, let's repeal the marriage penalty relief, when they had a chance to do that last year on July 21 and they voted no. The Senate passed, by a vote of 60-34, a bill to eliminate the marriage penalty. We did basically the proposal that my friend and colleague, Senator CONRAD, is promoting. We passed it. Unfortunately, President Clinton vetoed it.

It is interesting to note—and I will insert in the RECORD the vote on that—but the Senator from North Dakota voted no last year on July 21.

Mr. CONRAD. Will the Senator yield?

Mr. NICKLES. I am happy to yield.

Mr. CONRAD. The Senator from North Dakota voted against that proposal because it didn't fix the marriage penalty. We had an alternative proposal that gave couples the choice. The only way to eliminate the marriage penalty—

Mr. NICKLES. Mr. President, I have control of the time. The Senator can make a point, not a speech.

Mr. CONRAD. If I may conclude, the only way to eliminate all of the 60 places the Tax Code imposes the marriage penalty is to give couples a choice. That is what I supported.

Mr. NICKLES. Mr. President, to correct my colleague, the amendment he has proposed today doesn't fix it for every category. It does what we did last year, in that we expanded the 15-percent bracket. We doubled the deduction.

My point is, there is a real inconsistency between the arguments made on the floor today and the amendment they propose on the floor today and the position they took last year.

Last year we had a chance to eliminate the marriage penalty and my colleagues voted no. Now they are proposing basically the same amendment we passed and sent to the President. They are trying to put it on this bill. They had a chance to pass it last year and have it become law. That is my point. I wish they would have had this position last year.

One other final comment: I wish we could do more on the marriage penalty in this bill today. And we could have, if we had \$1.6 trillion to work with. The same colleagues who say we want to do more on the marriage penalty were the same ones saying we want less of a tax cut. Now they are saying, we want to get rid of the marriage penalty. But last year, unfortunately, they voted in opposition to repeal the marriage penalty.

I ask unanimous consent to print the material to which I referred.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

ROLLCALL VOTE NO. 226, JULY 21, 2000

(H.R. 4810 Conference Report)

YEAS—60

Abraham	Feinstein	Mack
Allard	Fitzgerald	McCain
Ashcroft	Frist	McConnell
Bennett	Gorton	Murkowski
Biden	Gramm	Nickles
Bond	Grams	Roberts
Brownback	Grassley	Roth
Bunning	Gregg	Santorum
Burns	Hagel	Sessions
Byrd	Hatch	Shelby
Campbell	Helms	Smith (NH)
Chafee, L.	Hutchinson	Smith (OR)
Cleland	Hutchison	Snowe
Cochran	Inhofe	Specter
Collins	Jeffords	Stevens
Craig	Kohl	Thomas
Crapo	Kyl	Thompson
DeWine	Landrieu	Thurmond
Domenici	Lott	Torricelli
Enzi	Lugar	Warner

NAYS—34

Akaka	Feingold	Moynihan
Baucus	Graham	Reed
Bayh	Harkin	Reid
Bingaman	Hollings	Robb
Breaux	Johnson	Rockefeller
Bryan	Kennedy	Sarbanes
Conrad	Lautenberg	Schumer
Daschle	Leahy	Voinovich
Dodd	Levin	Wellstone
Dorgan	Lieberman	Wyden
Durbin	Lincoln	
Edwards	Mikulski	

NOT VOTING—5

Boxer	Kerrey	Murray
Inouye	Kerry	

Mr. NICKLES. I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I will make some general comments to help put this debate in context.

First of all, under this bill, who are the winners and who don't win quite so much? Under this bill, the big winners are married couples with kids. By far, they receive a greater share of the benefits of this bill, not only absolutely but proportionately.

Who does not do quite so well? Singles. Single taxpayers do not do nearly as well in receiving benefits under this bill. Who else does not do quite so well

under this bill? The elderly. The elderly do not do quite as well compared with married couples under this bill. Who else? Students. Students do not do quite so well compared with married couples under this bill.

In the broad brush of things, the bill already gives very significant tax relief, in fact, disproportionate tax relief, to married couples already.

We on the floor can decide to do still more. But if we do, it is at the expense of others. The others will necessarily be those nonmarried. Who are the nonmarrieds by definition? They are singles. And some of them are elderly and some are students. So it will be a shift away from people already not receiving nearly as many benefits absolutely and proportionately as married couples. That is a decision we can make here. Life is full of decisions. But that is the effect of what these amendments do.

I mention one group: students. The amendment offered by the Senator from Texas will cut education to help married couples even more. These are important provisions. Let me mention what they are: expansion of education savings accounts, increasing contributions from \$500 to \$2,000 and also permitting withdrawal of funds for K-12 expenses; that is, kindergarten through high school, elementary and secondary expenses. That would be delayed under the amendment offered by the Senator from Texas.

What else? The bill already eliminates the 60-month limit on deductibility of student loan interest. That is a big benefit for students. Students graduate from college, most have student loans. I have forgotten the figure. The average student loan is in the neighborhood of \$15,000. It is not right that we cut off interest deductibility on those loans after 60 months. This bill says, OK, we are going to eliminate that 60 months. You can deduct the interest on student loans after 60 months. That is in the bill.

The Senator from Texas, in order to pay for more relief to married couples, eliminates that 60-month deletion. It is still current law, up to 60 months.

In addition, the amendment offered by the Senator from Texas would reduce significantly the above-the-line deduction for college tuition expenses of up to \$3,000 in 2002 and 2003, and under the bill, above the line. She would limit it also for 2004 and 2005.

I think for the purposes of the Senate, it is important to know that the bill, as I said, doesn't give a lot of help to students. It is fair to married couples already. I don't think it is a good idea to take even more away from students in education expenses generally and shift it over to married couples.

I might also add, generally, there have been comments about this bill. People take potshots at the provisions of the bill dealing with solving the marriage penalty. Let me remind all of us again that this is the context of what is going on here, so we don't get

wrapped around the axle and forget the bigger picture.

Currently, more taxpayers today receive a marriage bonus than are inflicted a marriage penalty. Many more American taxpayers get a benefit under the tax law on account of being married than they receive a penalty on account of being married. What am I saying? American taxpayers, as couples, where the income of one spouse is, say, at least 60 percent of the income of the other spouse, receive a bonus because their incomes are combined. That automatically gives them a bonus compared to filing separately.

The couples who receive a penalty today—not always—tend to be couples where one spouse earns approximately the same income, within about 20 or 30 percent.

There is a marriage penalty, no doubt about it. We should do all we can to fix it, and we will. We are moving in that direction. But as we move in that direction, I remind my colleagues that we can't do everything at the same time. We know that is an impossibility. We have a limit here of about \$1.35 trillion over 11 years. That is a limit. We would like to repeal the marriage penalty. We would like to give all the money back to the taxpayers so taxpayers don't have to pay income taxes. We want to have everything.

But life is choices. We in the committee, working together, have made choices that are a tradeoff of different requests by Senators telling us what they want in this bill. If you put that together, we have tried to fashion a marriage penalty provision that is geared toward middle-income taxpayers. That is why the provision is doubling the standard deduction for married couples and also doubling the 15-percent bracket amount for married couples. We could have done more. We could have gone to upper brackets, more wealthy Americans. We wanted the distribution to be fairer to low- and middle-income Americans. That is why this is in the bill.

I urge Senators to remember we can't just take these amendments in isolation. They are in context. They are in the context of the bill, of larger issues and of choices we have to make today, knowing that tomorrow, next month, in future years, we will make other choices and we will be able to make up for what we may not have done today. We will do what the American people want on the basis of trying to put these pieces together in a reasonable manner.

This provision also has been sharply criticized by Senators who say it takes effect later, not right away. It has been ridiculed by those saying: "Now you have it, now you don't have it"; it's a shell game. Those Senators conveniently don't point out other provisions in the bill that do take effect right away, which they support and which are expensive. They make it more difficult for everything in this bill.

One is the creation of a 10-percent bracket, which is effective retroactively, I might add, to January 1 of this year. That in and of itself costs about \$425 billion. That is not small change. That is immediate tax relief. A large percentage of the taxpayers who are in the 15-percent bracket will get that benefit. It is effective now and it helps the distribution for middle and lower income Americans. It is a very positive provision, which I know the Senators who complained about the delay of the marriage penalty really like—this 10 percent. They don't talk about it. You have to look at the whole bill and, I might add, too, the distributional effect of this bill is better significantly than the House-passed bill. It is better significantly than the proposals offered by the President.

I believe when you add it all together, it is a bill that we can—a lot of us but not all—support. The marriage penalty provision is not perfect. I wish it were made effective earlier. I wish it could apply to all the marriage penalty provisions that are currently in the code, and they number about 65. This only deals with about 3 or 4 of them. The EITC provision I know the Senator from North Dakota likes. That is really good. But we don't deal with the other roughly 58 marriage penalties in the code, which have a little less effect because we don't have the money to eliminate them. They are a little less politically demanding than the ones with which we dealt with in this bill.

I respect my colleagues for their amendments. I remind them there is already a disproportionate relief for married couples in this bill, compared with singles, elderly, and students. I don't know if we want to make that worse.

The PRESIDING OFFICER. The Senator from Nevada is recognized.

Mr. REID. Mr. President, for those who made inquiries to both Cloakrooms as to when we are going to vote, the Senator from Montana, the manager of the bill, spoke on the time allotted. Senator CONRAD has 16 minutes left on his side and Senator HUTCHISON has 40 minutes left. If all time is used without the managers using more time off the bill, we would vote at approximately 4:50 or 4:55. Just so people know that.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. I yield 20 minutes to the Senator from New Mexico off the bill.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Mr. President, I thank Senator GRASSLEY. First, I want to take a couple of minutes on history. Some Senators, clearly led by Senator BYRD, have spoken to the issue of should we be reducing taxes in a reconciliation bill. I want to remind everyone that Congress passed, in 1974, a new law which had to do with the congressional budget process. I want to quote from it and tell you three histor-

ical events which would indicate that we are doing what we have done on a number of occasions with reference to the Budget Act and reconciliation instructions that apply to taxes.

First of all, 1 week ago today, exactly, this body of Senators adopted a fiscal year 2002 budget resolution. Now, as in many things, all Senators didn't agree. But that resolution, with an instruction to reduce taxes by a total of \$1.25 trillion over 10 years, with \$100 billion available for the first 2 years to be spent by the Committee on Tax Relief has to do with stimulating the economy for a total of \$1.35 trillion over 11 years. Within 1 week, the Committee on Finance—again in a bipartisan manner—I might say to the Senate, you might recall that the budget resolution, with an instruction on the taxes, passed the senate with 15 Democrats voting along with all Republicans, except 2. So it was a very bipartisan instruction to reduce taxes.

Within 1 week, the Committee on Finance has complied with this reconciliation instruction and has presented to the full Senate a bill that reduces revenues or increases outlays for a total of \$1.347 trillion over the next 11 years. Remarkably good work. Obviously, when you set these kinds of annual and multiyear mandates with reference to taxes, you can't do everything you want, and you can't do every one as clean as you would like. But the policies included in this bill will be discussed shortly.

Let me first talk about the criticism we should not be using reconciliation, that is, the fast-track procedures permitted under law, for tax reductions.

First, I want to read the Budget Act of 1974:

Inclusion of Reconciliation Directives in Concurrent Resolutions on the Budget.—A concurrent resolution on the budget for any fiscal year, to the extent necessary to effectuate the provisions and requirements of such resolution shall—(1) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction do determine and recommend changes—

To accomplish that—
Continuing to read:

and resolutions to accomplish a change of such amount to comply with the policies of the resolution.

I note this section of the act says "changes." It does not say that the only thing reconciliation can be used for is to raise taxes, nor does it say the only thing it can be used for is to cut taxes. It simply says "effectuate" the policies of the underlying resolution.

Over time, yes, we were faced with deficits and used reconciliation for tax increase instructions and for spending cut instructions, but times have changed, and since fiscal year 1997, budget resolutions have passed the Senate that have considered tax reconciliation bills on three separate occasions. One was signed by President Clinton, one was vetoed by President Clinton, and one was never presented to him because he said he would veto

it. But the Senate and the Congress, after a conference, actually passed tax bills that were the result of an instruction in a budget resolution that such be done to carry out the policies of the budget resolution.

There are some who say they wish it were not so. I do not know if I am prepared to debate that today. All I am prepared to say is those who criticize it should know it has its genesis in this Budget Act which was passed by all Senators, except one, voting for it years ago. I have read the operative language, and I am absolutely comfortable with the fact that we have not in any way exceeded what the Senate of the United States has heretofore indicated can be done in a budget resolution regarding reduction of taxes by an instruction.

In the FY 1997 budget debate, on a rollcall vote, the Senate established the precedent for including tax cut reconciliation instructions in a budget resolution under expedited procedures of the Budget Act.

That year the Congress presented the President with a \$122.5 billion six-year tax cut reconciliation bill. The President vetoed that reconciliation bill.

In the FY 1998 budget debate, the Congress adopted instructions for a tax cut reconciliation bill for \$85 billion over a 5-year period. The Finance Committee and the Congress complied with the instruction. The President signed that tax cut reconciliation bill.

In the FY 1999 budget debate there were no reconciliation instructions.

In the FY 2000 budget debate, a 10-year reconciliation tax cut of \$778 billion was included in the budget resolution. The Finance Committee and the Congress once again complied with the instruction, and the President vetoed that tax cut reconciliation bill.

Finally in last year's budget debate the budget resolution permitted two separate tax cut reconciliation bills. The Senate considered and passed the first tax cut reconciliation bill, but it was never presented to the President. The second tax cut reconciliation bill was never considered.

The bottom line—there is nothing untoward about a tax cut reconciliation bill. There is nothing unprecedented about a tax cut reconciliation bill. Indeed, I believe the Budget Act is working as it should—it permits Congress to work its will and to implement its fiscal policy once it adopts a budget resolution.

What is unprecedented is a budget surplus estimate of \$5.6 trillion over the next decade.

Even when with the tax reductions included in this bill, total taxes will still grow annually nearly 4.3 percent over the next decade. Total taxes will still increase from \$2.135 trillion today to over \$3.256 trillion in FY 2011. We will collect over \$26.6 trillion in taxes these next 10 years even with the tax cuts included in this reconciliation bill.

Federal revenues as a percentage of the size of the economy, will only modestly be reduced from its historic high

today of 20.7 percent to 19.2 percent in 2011.

Finally, all tax provisions are fully phased in by 2011. Those who come here to the floor and suggest somehow the tax cuts are going to explode over the next 10 years after 2011, are misleading.

When fully phased in 2011—everything—the tax reductions in 2011 will be about \$185 billion in that year. Number games can be easily played.

Yes, extending the fully phased in tax cuts in this bill over the period 2011–2022—20 years from now—could mean \$2 trillion in tax cuts beyond the \$1.350 trillion in this bill. That is not an explosion, that is simple arithmetic.

I want to quickly go through what is in this bill as I see it. I compliment the Republicans and the Democrats who got it through committee and are in the Chamber defending it.

First, retroactive to January 1, 2001, it creates a new 10-percent bracket for the first \$12,000 of adjusted gross income for couples.

It reduces all marginal rates effective January 2, 2002. The top rate is reduced to 36 percent by 2007. For those who think that is done quickly and costs an enormous amount in the early years, it is not so.

It doubles the child tax credit from \$500 to \$1,000 over 10 years and makes the child credit generously refundable. I repeat, it makes the child credit generously refundable.

There were many in our respective States who heard the first tax proposals, and they did not have any refundability for the tax credit and indicated that for poor States and populations in poor States, it might be better if we had refundability. However that occurred, I thank the committee in behalf of my State. It is important we have that.

We are debating marriage penalty relief, whether we should do more or change it, but it sets a standard deduction for couples at two times the single level. It sets the 15-percent bracket for couples at two times the single level.

Incidentally, it also increases the EITC, earned-income tax credit. Some thought over time that was not a good approach to tax law, but it has been increased all the way up, in some instances, to as high as \$35,000. It includes, with which everybody should be pleased, a \$33 billion educational tax relief that is spread throughout this bill, and it reduces the estate tax over time, not immediately but it increases the exemptions rather quickly in increments of a million dollars, and over a full 2011 cycle it will eliminate the tax; it will impose a capital gains tax of sorts on the beneficiaries of large estates.

I single out Senator KYL of Arizona for his complete commitment and dedication to changing this estate tax. I can see as a member of the committee where Senator KYL has had a very big impact on the committee.

The next item is IRA tax relief. Everybody has become familiar with pen-

sions and IRAs. It includes a \$40 billion increase in the tax reductions that can occur by changes in pensions and IRA relief. It is a pretty good law.

It changes the alternative minimum exemption by \$2,000 single and \$4,000 joint. It obviously does not do the entire alternative minimum adjustment necessary, but it does more than many people thought because, indeed, it does not affect any more people and starts changing a little bit with reference to the alternative minimum as it applies to others rather than those who would have been affected by this legislation.

In essence, it makes the Tax Code more progressive. That is difficult for some to believe in a tax package that also reduces marginal rates from top to bottom. Every marginal rate will be reduced. It makes the Tax Code more progressive. Wealthy taxpayers will pay a larger share of the income tax than they do now.

Whoever wants to argue about whether the top levels should have had a marginal rate cut, the entire package is more progressive, and when you are finished and add up the income tax, the higher tax payers will pay a bigger percentage now than they were paying before the marginal rates were reduced.

I close by talking about my State. I have done my best, with the best people I have, to give a rough estimate of what happens to people in New Mexico with this bill.

First, every New Mexico taxpayer gets a tax cut. In our little State, 539,000 families filed returns; 113,000 small businesses; 534,000 children will be eligible for the child tax credit. That has been doubled and made refundable over time; 304,000 couples in New Mexico who file jointly will benefit over time from the marriage penalty relief, and 179,000 families claimed the earned-income credit. With the expansion of the family earnings up to \$35,100, they will be able to claim this credit. It is a major help to the families in New Mexico who are not in the high brackets, and since we have so many in the middle- and low-income brackets, this bill, because of the bipartisan nature of it, as I see it, has taken a giant step to be helpful to them.

I close by saying it was not too long ago that a new President was sworn in and went to the White House. He said: I am going to try to keep my campaign commitments. One of his commitments was he was going to reduce taxes. He was talking about a dollar number of \$1.6 trillion. Some people think that was over 11 years, some over 10 years. Some think it was really \$1.3 trillion adjusted for something.

In any event, I say, Mr. President—not the Presiding Officer, but President Bush down the road on Pennsylvania Avenue—when this finally becomes law, and it will not be too long when the House and Senate get this bill and do their final work, you can look at the American people and say: Here is another commitment made, a commit-

ment that I achieved. With the help of Congress, and in this case bipartisan out of committee, hopefully bipartisan when we pass it, we have said to the President: We agree with you. The commitment to give back some of this enormous surplus to the American people so that it is not on the table to spend but, rather, it is committed back to their pockets, to their pocketbooks, to their checking accounts, that will have been achieved.

I believe there will be plenty of money to pay down the debt in about as rapid a fashion as we can, and I believe there will be about a \$500 billion to \$600 billion contingency fund over this decade that can still be used in addition to what we plan for tax cuts and what we plan for the appropriations process.

For those who had in mind large new programs for the Federal Government and had their eye on this surplus, what we are saying is we are not going to wait to deal tax relief at the bottom of the deck of cards.

We are going to deal, then, right up-front. We will say to people who pay: This Government receives more than it needs; we will give it back to you over time. That means it won't be there on the table, as we look at budgets, to spend on just anything because we will have spent it on a very good purpose; that is, we will have given it back to the American people to spend, for them to plan, for them to use.

It is a pretty good conclusion to a very difficult budget process which took many hours and a lot of energy. For this Senator, as chairman, it was difficult. We had to do some difficult things that I wouldn't like to do every year.

I hope we get bipartisan support for this use of the surplus. I think it is an appropriate use. We come back down to reality, with a big surplus plan expected. What should we do with it? Let it sit around to spend on making government bigger or should we first give some back? We have adopted as a policy giving back some of it, yet leaving enough for the realistic approach to government and growth in government that might be needed.

I close by saying that the same President who made that proposal has had the best people in the country work with our Vice President to produce a real effort to place before the American people a practical, realistic proposal with reference to our energy future—I should not say of America, I should say to the people of America. A realistic energy proposal is the next thing the President has on the table. I predict to all those who are critical up-front, realism will set in, in the next couple of months, and something similar to what the President asked for in his realistic energy approach will be on the floor. Members will be saying: Mr. President, you made a commitment to make America energy sufficient with reference to electricity in the future, and also sought to conserve and make

us as independent as possible in the area of refined products from crude oil. I believe we will be saying: Congratulations, Mr. President.

The second big commitment accomplished. Unless there is a real, realistic, practical alternative that is not something like price controls on everything in the area of gasoline refined products and the like, which will do nothing but share the shortages, we will be right back in the muddle. We will do something that will do credit to this new leader and do credit to ourselves as Americans who have to get something done.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I ask for 4 minutes.

Mr. REID. Senator CONRAD is yielded 4 minutes off the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CONRAD. Mr. President, in response to the Senator from New Mexico, I don't think the choices he has presented are the full choices before the American people and before the Congress.

The Senator from New Mexico refers to the choice of either giving the tax cut back to the American people or the money being spent here. I don't think those are the choices. Those are two of the choices. There is a third choice. The third choice is to pay down more of the people's debt. When we refer to the people's money, that is exactly right. This is the people's money. I think everybody here is acutely aware of that.

We have, fundamentally, three choices. One is tax cuts, and certainly that ought to be part of what we do. The second choice is spending. I think most people on both sides of the aisle say we need to increase spending on education and national defense. The third choice is how much do we use to pay down our debt.

The President says we should only pay down \$3 trillion of the \$3.4 trillion publicly held debt we currently have. There is another debt that the President is not dealing with and that we are not dealing with. That is the gross debt of the United States. That is the combination of the publicly held debt and the debt owed to the trust funds of the United States. The gross debt of the United States is not going down; it is going up. As we sit here today facing a debt of \$5.6 trillion, at the end of the 10-year-period the gross debt of the United States will be \$6.7 trillion. We are not paying off the national debt around here, not by a long shot. The national debt is increasing. Interestingly, it is increasing by about the amount of the tax cut we are providing.

I yield 4 minutes to the very distinguished Senator from New York, Mr. SCHUMER, who has a great commitment to the education issues that are in part addressed by the Senator from Texas.

Mr. SCHUMER. I thank my colleague for yielding.

First, I fully support his amendment. If we are going to expand the marriage penalty and do it, we are going to have to take the money from somewhere. The contrast between the amendment of the Senator from North Dakota and the amendment of the Senator from Texas is the philosophical difference in this debate.

The bottom line is simple: The amendment of the Senator from Texas robs Peter to pay Paul. It says: You want to expand the marriage penalty? Don't make it any easier to help middle-class people send their kid to college. Do the American people want us to make that choice?

I later will have an amendment to increase the deductibility of tuition. There has been a good start in the bill from my colleague and friend from New Jersey. We will seek to expand it. It has been a passion of mine for 2 years to get this done. As I go around my State and around our country, I find person after person saying: we can't afford to send our kid to college, or, more likely, we are sending him to a junior college rather than the college he or she deserves because tuition is so expensive. I will talk more about that later.

Make no mistake about it, the amendment of the Senator from Texas makes it far harder for people to send their kids to college. In fact, after she gets done with it, because she takes the money out of the education portion of this bill, the tuition deductibility level is only \$1,500. With all due respect, that is not worth the paper on which it is written. Already in the law is a tax credit, the lifetime learning credit that adds a \$2,000 tax credit by 2003. There is not a single person in this country who prefers a \$1,500 deduction to a \$2,000 credit. There is nothing left. In effect, the Senator from Texas eviscerates tuition deductibility. We all know how important and how vital it is to the future of this country.

Why, when the top 1 percent are getting 33 percent of the benefits, does the Senator from Texas want to expand the marriage penalty? Why doesn't she touch that, instead of taking the small amount we have in this bill to help the middle class pay tuition? That is an example, in my judgment, of what is wrong with the thinking of some in this body: First, give the rich their cut, and then let the middle class fight over the crumbs. It should be the opposite. Someone making \$50,000 or \$60,000 is in far more need of help than someone making \$350,000 or \$3.5 million. I don't believe in class warfare. To be people who make a lot of money, God bless them. But when you have a limited pie and you say you want to expand the marriage deduction, help remove the marriage penalty, why in God's name do you take it from one of the few things that benefits the middle class in this bill?

The President gets up and talks about the family making \$50,000. I

would bet my bottom dollar, if you asked the family making \$50,000 if they would prefer a small rate decrease or would they prefer to make the tuition deductible, 90 percent of them would choose the latter.

What is going on in this bill? We are talking about the middle class but then we are not helping them. The amendment of the Senator from Texas is indicative of that malady which transcends this whole debate.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. I yield 5 minutes to the Senator from New Jersey. The Senator from New Jersey has been very active on these education issues. I think he has been critically interested in providing incentives for parents paying for college. I yield 5 minutes to him.

The PRESIDING OFFICER. The Senator from New Jersey is recognized for 5 minutes.

Mr. TORRICELLI. Mr. President, I thank the Senator for his kind remarks and join Senator SCHUMER in what is an important moment in this debate. Indeed, I believe this moment defines whether or not there is a chance for this tax legislation to genuinely be bipartisan.

In the Finance Committee, Democrats joined with Republicans to attempt to moderate the tax reduction, to assure it was affordable, would protect the surplus, but would also make a difference, having revenue for prescription drugs and education.

Within the committee a balance was achieved that, while rates were being reduced for taxpayers, there were other objectives also being met. The amendment offered by Senator HUTCHISON is a threat to that balance. It raises the question about whether or not bipartisan tax reduction can survive in the Senate. Like Senator HUTCHISON, I would like to see the marriage penalty eliminated. Indeed, in a variety of ways, through considerable means, over a period of a decade this legislation deals with the marriage penalty. It simply was not possible to eliminate the marriage penalty immediately any more than it was possible to lower rates immediately or deal with the inheritance tax immediately. This is a decade-long process of reducing the tax burdens on Americans.

We do that to married couples as we have done it in other means. But part of this plan was that, as we reduced taxation on many Americans, we would look specifically at the issue of education. There isn't a Member of this Senate who has not come to this floor and argued that the future of the Nation depends upon our investment in education, the quality of education. The simple truth is, a college education for middle-income Americans is increasingly out of reach. The average student graduating from an American university owes \$20,000 on the day he or she graduates. It is affecting the quality of their lives, their career choices.

Middle-income parents, wanting to do the best for their children, are taking second mortgages on their homes, postponing retirement, putting themselves into financial jeopardy, anything to get their child a college education.

Among the many balances in this bill is a provision upon which I insisted in the committee, a fight Senator SCHUMER has led for several years on the floor, the deductibility of college tuition from income taxes. Under this legislation, it will rise to \$5,000 during the decade. For many students, that makes all the difference. We will eliminate the marriage penalty, but we can both eliminate the marriage penalty and get deductibility of college tuition under this plan.

Finally, there is the question of education savings accounts. Ever since I came to the Senate, for many years, with Senator Coverdell, I led the fight for education savings accounts. More than two-thirds of this Senate has voted for education savings accounts to allow parents to put aside their own money for their own child for public or private education. In large measure, through the amendment of Senator HUTCHISON—well intentioned though it may be—we lose the sum and substance of education savings accounts by the reductions of the amounts available. I hope not only these education provisions can be retained but the bipartisan nature of the bill can be retained. I yield the floor.

The PRESIDING OFFICER. The time of the Senator has expired.

The Senator from Kansas.

Mr. BROWNBACK. Mr. President, I ask to speak on the bill for 15 minutes, off the time of the Senator from Texas.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BROWNBACK. Mr. President, I rise in strong support of the Baucus-Grassley tax bill. I say to my colleagues from Iowa and Montana, thank you for bringing the bill here on the floor. This is a great day. This is a great debate. I appreciate what you are doing putting this forward.

I also want to say thanks for including a great number of provisions that work on the marriage penalty. We have been pushing for several years now to get rid of this ridiculous marriage penalty, the tax you pay for the privilege of being married. Marriage Penalty tax relief has been a long time coming, and with this bill, we can actually do something about it.

I am delighted to hear as well from my colleague from Iowa that last night they added an additional year in which the marriage penalty relief would be in effect. That is a very positive step. It is a good thing.

What we are seeking to do with this amendment, and I join my colleague from Texas, Senator HUTCHISON from Texas, in this amendment, is to speed up that marriage penalty relief, making it fuller because the marriage penalty is at several places within the Tax Code. It still remains, even after this

bill. We need to take care of those places, and this amendment is a positive step toward this.

Tax relief is long overdue for the American taxpayer. We are at record high levels of tax collection during one of the longest eras of peace ever known in America. Does that make sense? It is unreasonable for the Federal Government to continue collecting taxes from hard-working Americans at a rate that rivals wartime rates of tax collection. Americans deserve relief.

However, I think some of the tax relief in this proposal is delayed too long, specifically that of the marriage penalty tax relief. Almost half of America's working families experience the ill-effects of the marriage penalty tax. In my State alone, 260,000 married couples experience this penalty. To put the burden of the marriage penalty tax in some perspective, every one of us knows somebody who is being forced to pay, on average—this is on average—about an additional \$1,500 of taxes every year simply for being married.

Requiring Americans to pay more in taxes for being married defies common sense. Families are the bedrock of a Civil society. Between carpools to soccer games and putting food on the table, American families do not need this added tax burden.

Marriage tax penalty relief needs to be one of the first priorities in this bill. Making Americans wait until the year 2005 to receive a break from this onerous burden of the marriage penalty is unnecessary. We clearly have the resources to provide the American people with much needed marriage penalty relief sooner rather than later.

At a minimum, we should eliminate the marriage penalty in the standard deduction sooner rather than later. I believe with some adjustments in the tax bill we can provide marriage penalty relief next year rather than making America's families wait until 2005 for the Federal Government to recognize the negative effects of the tax we place on the institution of marriage and the people who are married. America's families deserve a break from the marriage penalty.

Alleviation of the marriage penalty tax will allow married couples greater freedom to raise the quality of life for their families. Freedom will mean different things for different couples, of course. For some it may mean the ability to make a downpayment on a home. For others it may mean an investment in their children's education. The options are as numerous as the people of our great Nation. Married Americans deserve to be free from this unjust penalty.

Make no mistake about it, however, those who will benefit the most from the correction of the marriage penalty are children. Study after study has shown that children do best when they grow up in a stable home, raised by two parents who are committed to each other through marriage. Newlyweds face enough challenges without paying

punitive damages in the form of a marriage tax. The last thing the Federal Government should do is penalize the institution that is the clear bedrock of a civil society.

The amendment I am cosponsoring along with my good friend, colleague, and fellow warrior of the past 5 years, Senator HUTCHISON of Texas would eliminate the marriage penalty in the standard deduction effective in the year 2002, rather than later in 2006 and would be offset by small modifications in other areas of the bill.

I am hopeful that this amendment will receive the full support of the Senate and be included in the conference report that we will hopefully send to the President before the Memorial Day Recess.

Our amendment recognizes the need to provide American families with relief from the marriage penalty and the need to do it now, rather than 5 years from now. For our children, for strong marriages, for almost half of America's working families, I urge my colleagues to support this important provision.

I understand, along with everybody else, the number of tradeoffs involved to get this done. I think that if we were to ask the American public to prioritize the tax cuts and the tax relief we are putting forward, they would clearly say, we need tax relief to stimulate the economy, and we need tax fairness, particularly in the area of the marriage penalty tax.

I point out to my colleagues a number of surveys that have been done showing that 70 percent of the American public support eliminating the marriage penalty tax. They are aware of this tax. I now have people who come up to me and tell me, for example: My marriage penalty this year was \$1,478—that their accountants calculate their marriage penalty they are going to be paying on a yearly basis. People are aware of it. They know it is there. They know it is not fair.

We have been telling them for years we are going to do away with it, that we are going to get it out of there. I think the Finance Committee has done a good job on starting to address this, but it is phased in awfully late.

This amendment, I think, does something the American public would widely support. In looking at the tax cuts, they would say this should be one of the top ones that we need for fairness and for the future of a civil society.

So I urge my colleagues to support the Hutchison amendment when the vote comes up in this Chamber.

With that, Mr. President, I yield the floor and yield back the time to Senator HUTCHISON that may be remaining on the 15 minutes.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. Mr. President, maybe we are ready to vote. Have the Senators used their time?

Mrs. HUTCHISON addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Mr. President, I will be brief and close on my amendment, after which I understand we can go ahead and have the vote.

I understand what the committee did. I understand how the committee had to accommodate so many interests. I do not eliminate the deductions for the education expenses; I just draw them out over a longer period.

I had to find someplace to offset the cost of moving the marriage penalty to the top. Phasing in the deductions for the education expenses was the only thing I could find that would be a viable alternative. Because I think the tax rate cuts are so important, I did not want to upset that balance. That is why I cannot support Senator CONRAD's amendment. But I certainly intend to try to continue to look for offsets.

Frankly, I am going to offer it without offsets if this is not adopted because I think moving the marriage penalty up is every bit as important as rate reduction and death tax relief and doubling the child tax credit.

We are trying to give relief to American families. How much more do we need to be told than that the census shows us that 77 percent more people are living together unmarried than there were 10 years ago? I think we should value marriage, and I think we should encourage it. I certainly do not think we should have policies that discourage it. So I am going to do everything I can to move it up and make it the top priority that I think it is. That is what my amendment does.

I ask the support of my colleagues. I think this is a warranted priority: Eliminating the marriage penalty in this country. It is essential that we do so.

Thank you, Mr. President. I yield the floor.

Mr. CONRAD. Does the Senator yield back her time?

Mrs. HUTCHISON. Mr. President, I yield back my time.

Mr. GRASSLEY. Which is the first amendment we vote on, Mr. President?

The PRESIDING OFFICER. The Senator from North Dakota still has 7 minutes.

Mr. CONRAD. I will try to take the same amount of time the Senator from Texas just took to conclude. If the Presiding Officer could inform me when I have used the same amount of time that the Senator from Texas just used so it is fair, I will yield back the remainder of my time.

The PRESIDING OFFICER. The Senator will have 3 minutes.

Mr. CONRAD. I thank the Presiding Officer, and I thank my colleague from Texas, who is a respected colleague.

Let me just say we agree that the marriage penalty relief ought to be moved up. We strongly agree on that proposition. Mine does it faster than the offering of the Senator from Texas. Mine deals with both elements of marriage penalty relief that are in the bill,

both the standard deduction—doubling it for couples over what is provided a single individual—and also providing a fix on the 15-percent bracket.

The Senator from Texas starts hers earlier than the underlying bill but does not complete the phase-in until the year 2008 on the standard deduction. And she does not speed up the fix on the 15-percent bracket at all over what is in the current bill. My amendment would provide that relief next year as well.

In addition, we have a different way of paying for it. I ask those in the very top rates—the 3 percent who are in the top two rates—to defer so that we can give this relief immediately.

That seems to me to be a fair way to proceed. It seems to me to be the priority of the American people. We have 50 million people who are affected by the marriage penalty. Under the current bill, nothing is done, nothing for 4 years. Then it is phased in, and it is not completed until 2008.

My amendment says, if we say it is a priority, let's make it a priority. Let's put in place marriage penalty relief next year. Let's do the job.

I hope very much my colleagues will give close consideration. We do not change where the rates ultimately wind up. We do delay the reduction for the top rates, the two top rates that affect only 3 percent of America's taxpayers, so that we can give 50 million people relief from the marriage penalty now, something I think every Senator in this Chamber has spoken for at one time or another.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. Thirty seconds.

Mr. CONRAD. Mr. President, I am happy to yield back that time.

Mr. President, I ask unanimous consent that Senator KENNEDY be added as an original cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CONRAD. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the Conrad amendment No. 654.

The clerk will call the roll.

The result was announced—yeas 44, nays 56, as follows:

[Rollcall Vote No. 112 Leg.]

YEAS—44

Akaka	Dorgan	Levin
Bayh	Durbin	Lieberman
Biden	Edwards	McCain
Bingaman	Feingold	Mikulski
Boxer	Feinstein	Murray
Byrd	Graham	Nelson (FL)
Cantwell	Harkin	Reed
Carnahan	Hollings	Reid
Chafee	Inouye	Rockefeller
Clinton	Johnson	Sarbanes
Conrad	Kennedy	Schumer
Corzine	Kerry	Stabenow
Daschle	Kohl	Wellstone
Dayton	Landrieu	Wyden
Dodd	Leahy	

NAYS—56

Allard	Enzi	Murkowski
Allen	Fitzgerald	Nelson (NE)
Baucus	Frist	Nickles
Bennett	Gramm	Roberts
Bond	Grassley	Santorum
Breaux	Gregg	Sessions
Brownback	Hagel	Shelby
Bunning	Hatch	Smith (NH)
Burns	Helms	Smith (OR)
Campbell	Hutchinson	Snowe
Carper	Hutchison	Specter
Cleland	Inhofe	Stevens
Cochran	Jeffords	Thomas
Collins	Kyl	Thompson
Craig	Lincoln	Thurmond
Crapo	Lott	Torricelli
DeWine	Lugar	Voinovich
Domenici	McConnell	Warner
Ensign	Miller	

The amendment (No. 654) was rejected.

Mr. GRASSLEY. I move to reconsider the vote.

Mr. BROWNBACK. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

VOTE ON AMENDMENT NO. 659

The PRESIDING OFFICER (Mr. SMITH of Oregon). Under the previous order, the question is on agreeing to amendment No. 659.

Mr. BREAUX. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The clerk will call the roll.

The assistant legislative clerk called the roll.

The result was announced—yeas 27, nays 73, as follows:

[Rollcall Vote No. 113 Leg.]

YEAS—27

Allard	Enzi	Kyl
Bennett	Fitzgerald	Landrieu
Brownback	Frist	Murkowski
Bunning	Gramm	Roberts
Burns	Hatch	Santorum
Campbell	Helms	Shelby
Carnahan	Hutchinson	Smith (NH)
Cochran	Hutchison	Thomas
Domenici	Inhofe	Thurmond

NAYS—73

Akaka	Durbin	Mikulski
Allen	Edwards	Miller
Baucus	Ensign	Murray
Bayh	Feingold	Nelson (FL)
Biden	Feinstein	Nelson (NE)
Bingaman	Graham	Nickles
Bond	Grassley	Reed
Boxer	Gregg	Reid
Breaux	Hagel	Rockefeller
Byrd	Harkin	Sarbanes
Cantwell	Hollings	Schumer
Carper	Inouye	Sessions
Chafee	Jeffords	Smith (OR)
Cleland	Johnson	Snowe
Clinton	Kennedy	Specter
Collins	Kerry	Stabenow
Conrad	Kohl	Stevens
Corzine	Leahy	Thompson
Craig	Levin	Torricelli
Crapo	Lieberman	Voinovich
Daschle	Lincoln	Warner
Dayton	Lott	Wellstone
DeWine	Lugar	Wyden
Dodd	McCain	
Dorgan	McConnell	

The amendment (No. 659) was rejected.

Mr. GRASSLEY. I move to reconsider the vote and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BYRD. Mr. President, I am deeply concerned with that anomaly in the

tax code known as the "marriage penalty."

However, I opposed the Hutchison amendment No. 659 because it would accelerate the marriage penalty relief in this bill at the expense of those education provisions that would benefit students who borrow money to attend college. In particular, the Hutchison amendment would eliminate the provision that would allow student loan interest to be deductible 60 months after graduation.

While I support marriage penalty relief, I do not believe that it should be provided at the expense of these education tax benefits.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAUCUS. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. On behalf of Senator BAUCUS, I ask unanimous consent that the time go now to Senator SCHUMER. His time will begin charging against his amendment, which he will offer before he completes the hour.

The PRESIDING OFFICER. Is there objection?

The Chair hears none, and it is so ordered.

The Senator from New York is recognized.

AMENDMENT NO. 669

Mr. SCHUMER. Mr. President, how much time do I have?

The PRESIDING OFFICER. One hour.

Mr. SCHUMER. One hour. Thank you, Mr. President.

Mr. President, first, I ask unanimous consent that the following Senators be added as cosponsors: Senators LIEBERMAN, BIDEN, BAYH, and CLINTON.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SCHUMER. I thank the Chair.

The amendment I am about to offer is one of the most significant that we can debate in this tax bill. As you know, Mr. President, since I have come here, I have felt it extremely important that we help middle-class people with the biggest financial nut they face, barring ill-health in their families, and that is paying tuition. The cost of tuition has skyrocketed. Family income has not kept up. Often in our tax proposals we help the very poor with their college tuition, as we should. And the wealthy do not need much help in terms of paying tuition. If you are making a half million dollars, you can afford that \$10,000, \$20,000, \$30,000. But if you are solidly into the middle class, if you are making \$40,000 or \$50,000 or \$60,000 or \$70,000, that tuition bill is almost impossible to pay.

As a result, three things happen: First, all families struggle. Second, many students do not go to the college that their records would allow them to extend. Some do not go to college at all simply because financially it is so expensive. The number of New Yorkers who have told me that they are going to junior college because they can afford it, as opposed to a 4-year school in a specialty they very much want to achieve, is enormous. And, third, what happens is that America is greatly deprived of our greatest resource: the minds of our young people.

So it has been my contention, along with many of my colleagues, including the Presiding Officer, the Senator from Maine, the Senator from Illinois, and the Senator from Georgia—the Senator from Delaware has been our leader in this—that college tuition, or a large chunk of it, if not all of it, should be made tax deductible; that if a family is making a sacrifice to send their child to school, then Uncle Sam ought not to take a cut; that it is every bit as important for Government to encourage that activity through a deduction as it is owning a home or other activities for which we give deductions.

For 2½ years we have been pushing this. Now the opportunity is nigh to make it happen.

I thank my colleague from New Jersey, Senator TORRICELLI. He and I have talked about this issue at length. He has been able to get a first start into the bill of up to \$5,000. That \$5,000, yes, is a start. It does not meet the bills of most people, but it is a good start. I am appreciative of his efforts and of him joining the crusade in which many of us have been involved. But it simply is not enough.

So what we propose today is to make \$12,000 deductible for each person—for a single person \$65,000, for a couple \$130,000. It goes well up into the middle class. The very people who come to us and say the Government never gives them a break, the Government never cares about what they need, are now going to get the best thing they could imagine.

We have not touched the rate cut in our offset because I know so many feel strongly about it. But my guess is, if you ask the average family in America making \$50,000, \$60,000, \$70,000, would they rather have the rate cut of a few percent or would they want to make college tuition tax deductible, 90 percent would say the latter. So the time is nigh to do this.

This chart shows it all. Since 1980, college tuition has gone up over 300 percent in its cost. Health care, which is always used as the area where prices have gone up so much, has only gone up a little more than 250 percent. Of course the Consumer Price Index lags way behind.

So this vote presents us with the opportunity. This bipartisan idea, which I hope will stay a bipartisan amendment—because this issue should not be a party issue; this issue should not deal

with how much of a tax cut, but simply is, should we give it to the middle class in the place where they need it most—is on the table.

I know there are a lot of considerations, but very simply this is vital to families. It is also vital to America. The bottom line is simple: That is, here in America we need to educate our people as best we can. If we continue to have young person after young person not go to college or not go to the college that they desire, we will be hurting our opportunity to stay the leading country in the world because our education system is more important than just about anything else that we can do in this country.

So, Mr. President, I will have a lot more to say, but I know there are some of my colleagues who wish to speak.

I would like, if no one on the other side wishes time on this amendment, to yield 4 minutes to the Senator from Indiana, who has been a sponsor for a very long period of time and has worked diligently on this effort.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. BAYH. Mr. President, I salute our colleague, Senator SCHUMER from New York, for his tenacious support of this very worthy endeavor. I say to the Senator, I would particularly like to congratulate you for the bipartisan nature of the support you have gathered for this very worthy undertaking.

With Senator SMITH, Senator SNOWE, and others on the other side of the aisle, it is a cause that every American, regardless of party, can support.

I rise in support of the Schumer amendment because it is good for the taxpayers of America, it is good for the children of America and their education, it is good for America's economy, and it is true to our values.

It is good for the taxpayers of America because, in my State and in yours and others, one of the most pressing needs that American families face, after paying the mortgage and saving for retirement, is putting money away for the cost of a college education. The cost of that education has been rising faster than the rate of inflation now for many years, far outstripping the ability of many Americans, particularly those in the middle class, to afford it. So this tax cut will be good for American taxpayers and families because it helps them in a very significant way—\$12,000 when fully phased in—in alleviating the tax burden each and every year.

It is good for America's students because a college education today is no longer a luxury. It is a necessity to have many of the good paying jobs in areas involving information technology, communication technology, biotechnology, and the other rapidly growing parts of our economy. Those with a college degree earn substantially more than those without.

This is good for America's children and America's students. It is also important for the long-term health of our

economy. America's competitive advantage lies in those areas that require greater degrees of knowledge, expertise, and learning. So as we enable our children to do better, we also empower our economy to do better.

Finally, this effort, thanks to Senator SCHUMER, is true to America's values. We are saying to the families of New York and Indiana and Oregon, and the other 47 States, that if your children work hard, if they dream the dream of a college education, we will stand by them. If you want to work hard and be self-sufficient, get a good job, we will help to make that dream become a reality. There is no more important American value than that.

In conclusion, I again salute my colleague, Senator SCHUMER. This tax cut is good for taxpayers. It is good for our children and their education. It is good for America's economy, and it is true to our values.

I ask my colleagues to support this very worthy endeavor. I yield the remainder of my time back to my colleague and friend, the Senator from New York.

The PRESIDING OFFICER. Who yields time to the Senator from Illinois? The Senator from Illinois seeks recognition.

Mr. SCHUMER. Mr. President, on behalf of the Senator from Montana, I yield 5 minutes to the Senator from Illinois.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DURBIN. Mr. President, I supported this effort from the beginning. I believe that when you ask American families about tax cuts, their highest single priority is this amendment.

This is a rather substantial proposal in reference to cutting the taxes of America's families. I am sure there are some very important and popular provisions in here, but when we literally ask families, if we could do one thing in the Tax Code to help you and your family in the future, what would it be, it is this amendment, this amendment which would allow families to deduct the expenses of a college education.

We all know the problem. Some of the brightest young people in America either have to delay their education or change their plans because they literally cannot afford the cost of higher education or they find themselves in a position where they graduate from college with an extraordinarily high debt. With that student loan debt, a lot of choices in life are already made for them. They may not be able to become a teacher, which could have been their life's dream, because instead they have to make more money to pay off the college loan. They may not be able to become a nurse or a doctor, or whatever, because of the expense of education.

What the bipartisan Schumer amendment does, which I am happy to support, is address this problem and give to American families the ability to deal with the cost of higher education.

Ask yourself: How important would it be? When a young child is born into

a family, a new baby, it is usually kind of a rite of passage that you say to the new parent: How is mom? How is the baby? Is the baby sleeping at night? Have you thought about the cost of college education? Those are natural questions because people seem to think, as they should, this is a major obstacle to the success of my child. I better be thinking ahead. Is it reasonable to ask that question?

Let me give an example in my State of Illinois. In a 20-year period, the rough period between the birth of a child and their heading to college, in Illinois, between 1980 and the year 2000, the average tuition and fees at college went up 395 percent at public universities, 344 percent at private 4-year institutions, and 236 percent at community colleges. So asking the new parents about how they are going to pay for their kid's college education is not an unreasonable question. It is going to be substantial. If they want their kids to have a chance, they ought to think ahead.

The Schumer amendment thinks ahead. It says: We are going to give you the opportunity to deduct up to \$12,000 of the cost of a college education. It also provides a tax credit, I believe, for the payment of interest on student loans, so if you have a loan and you are paying on it, you can deduct up to \$1,000, which doubles the amount in the bill.

What the Senator's amendment does is help families realize the American dream. Could there be a better investment for the 21st century than to help families pay for the cost of college education? We know that kids who get a college education are going to make more money in life, probably realize their dreams. We have census statistics that suggest that the value of a college diploma means a 76-percent increase over a high school diploma in the amount of money one is likely to earn. So a young child who is thinking about where they want to go with their future understands it is important to go to college; it is expensive to go to college; but it creates great opportunities as well.

We have done a lot at the Federal level over the last several years to provide a helping hand. We passed a proposal of President Clinton's which was enacted as part of the Taxpayer Relief Act of 1997 to establish HOPE scholarships, lifetime learning tax credits, and these help to pay, but the Schumer amendment goes to the heart of it. It says: You get to make the choice where your son or daughter goes to college, working with them, the best school they can get into, and we will help you pay by making the tuition tax deductible.

It is targeted to working families. It starts to phase out for joint filers with a taxable income of over \$105,000. I don't think that is an unreasonable level to be speaking of because if you had, for example, two public school teachers in the city of Chicago or in

the State of Illinois, their combined income as mother and father might be in that range of \$105,000. They are not wealthy people. If their son or daughter is going to a university that costs \$20- or \$25,000 a year, it is a great sacrifice on them and certainly on the children, once they have graduated. The value of this deduction, which can be up to \$3,360, depending on the taxpayer's tax bracket, is significant and meaningful. This is available to taxpayers, their spouses, and their dependents.

I am going to yield back my time by urging my colleagues on the Republican side of the aisle to join us, as some already have, to show good, strong, bipartisan support. And if they value, as we do, education in America, if they value the needs of American families to pursue that education, supporting the Schumer amendment is a good vote.

Mr. SCHUMER. Mr. President, I ask unanimous consent to add Senators TORRICELLI and STABENOW as cosponsors of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SCHUMER. I yield 5 minutes to the Senator from Michigan.

The PRESIDING OFFICER. The Senator from Michigan is recognized.

Ms. STABENOW. Mr. President, I thank my colleague from New York on behalf of the families of Michigan for his leadership on this critical issue. This amendment goes to the heart of what is driving the economy and what is good for our families.

On the one hand, as a member of the Senate Budget Committee, I had the opportunity in numerous hearings to hear over and over again from Chairman Greenspan and our own Congressional Budget Office that what is driving this economy is increased labor productivity. Increased labor productivity is a combination of new innovations and technology and a skilled workforce that can work in this new economy, a skilled workforce that allows the productivity to increase in our economy.

Everyone has told us that to keep the economy going, to keep our jobs, to keep the improvements in the quality of life we have seen in recent years, we have to maintain this increased labor productivity. That means education. That is why this is such an important amendment.

I also speak as a parent. I have a son who recently graduated from college, and I am sure I own one of the buildings at that university. I have a daughter in college now. I can speak as a parent, as one who understands the cost we go through—we want our children to have the very best—and the challenges that face parents as we look at making sure our children are able to have the very best higher education.

This particular amendment, by allowing up to \$12,000 in deductibility of college tuition, is very important to allow families to give their children

the American dream that we all have for our children.

We know that in today's world you have to go beyond high school to some kind of higher education if you are going to be successful. We also know that we will continue to learn throughout our lives and that part of what we are doing is encouraging young people to learn to love to learn, so that they can continue beyond not only 4 years but possibly at some other point coming back in life.

We have older workers who are now coming back and changing careers, developing new skills, and going into new parts of the economy. The question of access to higher education is important to all of our families, and it is particularly important to where we are as a country and how we need to move in terms of the challenges in a new world economy.

I hope we will have the opportunity to give every child who is starting kindergarten, every child in preschool, every child going into high school the ability to work hard and make the grades, and that we are going to make sure they have the opportunity to go on to college to be the best they can be. This amendment gives the tools to parents to help make that happen. It is important, it is long overdue, and I urge my colleagues to support the Schumer amendment. I am extremely pleased to be a cosponsor.

I yield back my time, Mr. President. The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, how much time does the Senator from Illinois want?

Mr. FITZGERALD. I thank my friend and colleague.

Mr. President, I have an amendment—

Mr. SCHUMER. Will the Senator from Illinois yield?

Mr. FITZGERALD. Yes.

AMENDMENT NO. 669

Mr. SCHUMER. Mr. President, I ask that our amendment, which was debated, be reported before the Senator puts his amendment forward.

The PRESIDING OFFICER (Mr. SESSIONS). The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from New York [Mr. SCHUMER], for himself and Mr. BIDEN, Mr. BAYH, Mr. LIEBERMAN, Mr. DURBIN, Mr. TORRICELLI, Mrs. CLINTON, Mr. DASCHLE, and Ms. STABENOW, proposes an amendment numbered 669.

Mr. SCHUMER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To increase the deduction for higher education expenses for certain taxpayers and to increase the tax credit for student loan interest)

On page 54, between lines 4 and 5, insert the following:

“(C) 2006 THROUGH 2011.—

“(i) IN GENERAL.—In the case of a taxable year beginning in 2006, 2007, 2008, 2009, 2010, or 2011, the applicable dollar amount shall be equal to the applicable dollar amount determined in the table contained in clause (ii), reduced (but not below zero) by the amount determined under clause (iii).

“(ii) APPLICABLE DOLLAR AMOUNT.—

Taxable year beginning in:	Applicable dollar amount:
2006	\$10,000
2007	10,000
2008	12,000
2009	12,000
2010	12,000
2011	12,000.

“(iii) AMOUNT OF REDUCTION.—The amount determined under this clause for any taxable year is the amount which bears the same ratio to the applicable dollar amount determined in the table contained in clause (ii) for such taxable year as—

“(I) the excess of—

“(aa) the taxpayer's adjusted gross income for such taxable year, over

“(bb) \$65,000 (\$90,000 in the case of return filed by a head of household (as defined in section 2(b)), and \$130,000 in the case of a joint return), bears to

“(II) \$10,000 (\$20,000 in the case of a joint return).

On page 59, line 3, strike “\$500” and insert “\$1,000”.

Beginning on page 64, line 21, strike all through page 66, before line 2, and insert the following:

(a) MAXIMUM RATE OF TAX REDUCED TO 53 PERCENT.—The table contained in section 2001(c)(1) is amended by striking the two highest brackets and inserting the following:

“Over \$2,500,000 \$1,025,800, plus 53% of the excess over \$2,500,000.”.

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2).

On page 68, strike lines 1 through 3.

The PRESIDING OFFICER. The Senator from Illinois.

AMENDMENT NO. 670

Mr. FITZGERALD. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Illinois [Mr. FITZGERALD], for himself, Mr. SCHUMER, Mr. JEFFORDS, Mrs. CLINTON, Mr. MCCAIN, Mr. TORRICELLI, Mr. DOMENICI, and Mr. ALLEN, proposes an amendment numbered 670.

Mr. FITZGERALD. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To provide that no Federal income tax shall be imposed on amounts received by victims of the Nazi regime or their heirs or estates, and for other purposes)

At the end of subtitle A of title VIII, add the following:

SEC. ____ NO FEDERAL INCOME TAX ON RESTITUTION RECEIVED BY VICTIMS OF THE NAZI REGIME OR THEIR HEIRS OR ESTATES.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, any excludable restitution payments received by an eligible individual (or the individual's heirs or estate)—

(1) shall not be included in gross income; and

(2) shall not be taken into account for purposes of applying any provision of such Code which takes into account excludable income in computing adjusted gross income, including section 86 of such Code (relating to taxation of Social Security benefits).

For purposes of such Code, the basis of any property received by an eligible individual (or the individual's heirs or estate) as part of an excludable restitution payment shall be the fair market value of such property as of the time of the receipt.

(b) COORDINATION WITH FEDERAL MEANS-TESTED PROGRAMS.—

(1) IN GENERAL.—Any excludable restitution payment shall be disregarded in determining eligibility for, and the amount of benefits or services to be provided under, any Federal or federally assisted program which provides benefits or service based, in whole or in part, on need.

(2) PROHIBITION AGAINST RECOVERY OF VALUE OF EXCESSIVE BENEFITS OR SERVICES.—No officer, agency, or instrumentality of any government may attempt to recover the value of excessive benefits or services provided under a program described in subsection (a) before January 1, 2000, by reason of any failure to take account of excludable restitution payments received before such date.

(3) NOTICE REQUIRED.—Any agency of government that has taken into account excludable restitution payments in determining eligibility for a program described in subsection (a) before January 1, 2000, shall make a good faith effort to notify any individual who may have been denied eligibility for benefits or services under the program of the potential eligibility of the individual for such benefits or services.

(4) COORDINATION WITH 1994 ACT.—Nothing in this Act shall be construed to override any right or requirement under “An Act to require certain payments made to victims of Nazi persecution to be disregarded in determining eligibility for and the amount of benefits or services based on need”, approved August 1, 1994 (Public Law 103-286; 42 U.S.C. 1437a note), and nothing in that Act shall be construed to override any right or requirement under this Act.

(c) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term “eligible individual” means a person who was persecuted for racial or religious reasons by Nazi Germany, any other Axis regime, or any other Nazi-controlled or Nazi-allied country.

(d) EXCLUDABLE RESTITUTION PAYMENT.—For purposes of this section, the term “excludable restitution payment” means any payment or distribution to an individual (or the individual's heirs or estate) which—

(1) is payable by reason of the individual's status as an eligible individual, including any amount payable by any foreign country, the United States of America, or any other foreign or domestic entity, or a fund established by any such country or entity, any amount payable as a result of a final resolution of a legal action, and any amount payable under a law providing for payments or restitution of property;

(2) constitutes the direct or indirect return of, or compensation or reparation for, assets stolen or hidden from, or otherwise lost to, the individual before, during, or immediately after World War II by reason of the individual's status as an eligible individual, including any proceeds of insurance under policies issued on eligible individuals by European insurance companies immediately before and during World War II; or

(3) consists of interest which is payable as part of any payment or distribution described in paragraph (1) or (2).

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—This section shall apply to any amount received on or after January 1, 2000.

(2) NO INFERENCE.—Nothing in this Act shall be construed to create any inference with respect to the proper tax treatment of any amount received before January 1, 2000.

Mr. FITZGERALD. Mr. President, I thank my colleagues, Senator SCHUMER and Senator CLINTON, both of whom are here, and Senators TORRICELLI, BINGAMAN, DOMENICI, JEFFORDS, MCCAIN, and ALLEN, who are cosponsors of this amendment.

This amendment simply seeks to ensure that any reparations received by victims of the Holocaust—reparations or settlement payments received by those victims not be subject to Federal income taxes.

Actually, our tax law provides that if money is stolen from somebody, or if property is stolen from somebody, and that is later recovered, that person should not have to pay income tax on getting their own money back. However, there have been a number of conflicting revenue rulings in this area, and the victims of the Holocaust, which occurred at the hands of the Nazis in the 1930s and 1940s, are concerned that the reparations they are receiving from a variety of settlement funds, from banks and insurance companies in Germany, Switzerland, and elsewhere—that under the current revenue rulings of the IRS, there might be some confusion as to whether those settlement payments are taxable income.

This amendment simply seeks to ensure that the IRS would not treat as taxable income any Holocaust reparations or payments. The Joint Tax Committee scored this amendment as costing \$31 million over the next 10 years. It is a very small amount.

There are 100,000 survivors of the Holocaust in the United States, approximately 10,000 of them from my State of Illinois. The average age of Holocaust survivors is over 80 years. Recently—just a few weeks ago—I had the opportunity to be at a Holocaust memorial service in Skokie, IL. Skokie is a village to which a large number of Holocaust refugees and survivors of the Holocaust came after World War II, and they kept coming well into the late 1950s. After appearing at that ceremony, I had the opportunity to meet many individuals who were, in fact, Holocaust survivors. I heard from their own mouths the stories of the horrors they endured at the hands of the Nazis. I saw several of the survivors with the tattoos that the SS agents had put on their arms.

One woman told me she went into one of those concentration camps—I believe it was at Auschwitz—with both her parents and also with her younger brothers and sisters. As soon as she got into that camp, the Nazis killed her parents and subsequently killed her younger brothers and sisters. They kept her alive because she was a teenager and they believed that they could put her to work. Obviously, all of the

assets of her family and tens of thousands, millions of others like hers were confiscated by the Nazis.

There are several settlement funds that have been created to finally, 56 years after the end of World War II, pay some modest compensation to these families and Holocaust survivors and their heirs for all the sufferings they endured. In fact, the compensation is really just the return of their own money or property that rightly belonged to them.

I hope we can adopt this amendment. It has the support of the administration, I am told. The previous administration also supported this measure. It was included in tax bills that were passed in the last session of Congress. Unfortunately, those overall tax bills were vetoed for other reasons. I would appreciate the support of all of my colleagues, and I certainly appreciate the willingness of Senator GRASSLEY and Senator BAUCUS to work with us as we try to find a possible means of replacing that slight \$31 million in tax revenue that would be lost over the next 10 years.

Mr. President, again, I thank my colleagues. I am going to add, at this point, Senator GORDON SMITH as a cosponsor to the amendment.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. Before the Senator yields, I would like to say a word on his amendment. I think it is an excellent amendment. As the Senator knows, I had a similar amendment. There are slight differences, which I hope we work out when the time comes. This amendment is important, and I thank the Senator for his leadership in making this happen. As he said, to tax these payments which are but small compensation for the suffering endured by the few survivors of the Holocaust would be inhumane. The Senator is exactly right to make sure that they are tax free.

Mr. FITZGERALD. I thank my colleague in New York. I agree with him. I think it would be beneath the dignity of this great country to actually assess a Federal income tax on those payments of compensation to the victims of the Holocaust.

I thank the Senator. Both of my colleagues from New York have been very helpful.

There is one other point I want to make.

This bill also would ensure that payments received by Holocaust survivors not be counted in any calculation for eligibility for any of our Federal programs such as Medicaid. We would not want someone tossed out of a nursing home because they were receiving one of these payments. That is one of the benefits of this bill.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I tell the Senator from Illinois that I appre-

ciate his good efforts to address an injustice. This injustice is regarding the victims of the Holocaust. I pledge to work with him on this amendment. I ask that he temporarily set aside the amendment to give us time to consider exactly how to do this.

Mr. FITZGERALD. Mr. President, I will be happy to do that. I have been working with Senator GRASSLEY and Senator BAUCUS. I look forward to working with them into the evening. I appreciate their efforts to accommodate this amendment.

Mr. GRASSLEY. I yield the floor.

The PRESIDING OFFICER. Without objection, the amendment is set aside.

The Senator from New York.

AMENDMENT NO. 669

Mr. SCHUMER. Mr. President, I yield 5 minutes to the Senator from New Jersey. As I mentioned earlier in my remarks, our long crusade to get college tuition made deductible took a giant step forward with his work on the Finance Committee to get the first step, the \$5,000, in the bill. That has made it possible for us to offer this amendment as well.

I salute him for the great work he has done, and I yield him 5 minutes.

Mr. TORRICELLI. Mr. President, I thank the Senator from New York for his very gracious comments and for the place in which we find ourselves at this moment. The long fight to allow parents and students to deduct the cost of college tuition is now at a critical moment.

It is not a usual moment in the life of the Senate when a Senator arises with the intent of having his own work replaced by a colleague's. That is exactly where I find myself.

The Finance Committee, with the considerable help of Senator GRASSLEY and Senator BAUCUS, has brought to the Senate Chamber for the first time the deductibility of college tuition from income taxes.

Senator SCHUMER has built upon this work by expanding our \$5,000 deduction to a full \$12,000. It is, in my estimation, a more realistic approximation of the financial burden before American families. I therefore support the Schumer amendment.

American families are mortgaging their futures. Parents are literally taking second mortgages on their homes. Families are postponing retirement. They are using retirement savings. They are borrowing against inheritance. They are doing anything and everything to get a college education for their child. Students themselves are working night jobs and borrowing endlessly to get themselves a college education.

The average student graduating from an American university, on the day they graduate, owes \$20,000. It is not uncommon for a business student, a law student, or a medical student to owe \$50,000, \$100,000, or \$200,000. It is an enormous tragedy.

The options in life that many of us enjoyed that allowed us to go into public service are not available to American students. If you come out of college owing \$20,000, \$50,000, \$100,000, your chance to be a schoolteacher, your chance to run for public office, your chance to go into the Peace Corps, your chance to go into an American city or a small town and make a difference in American life is lost before your career begins. You begin life under a mountain of debt.

It may not be in our reach to eliminate that problem today, but we have a chance to reduce it. Over the years, from Stafford loans to HOPE scholarships to student loans, again and again, every time there was a chance to reduce this financial burden and help American education, we have risen to the occasion, and that is where we are again tonight. With this amendment, we can make fully deductible \$12,000 worth of college tuition.

I will concede this is a national problem, but in my State of New Jersey, as in some other States, it is particularly acute. My State exports more students to colleges in other States than any other State in the Union per capita. We do not have a huge State university. The middle-class families of New Jersey are having to face, with no choice and through no fault of their own, massive private tuition costs.

It is the deciding point about whether or not these families can keep their families in the middle class, and they are holding on by their fingertips, knowing that if they cannot pay these tuitions, they may be the first generation in American history whose kids will be less educated, have less of a financial future, less of a quality of life than they have. And Americans do not give that up easily. That is why this mountain of debt. That is why the frustration. But that is also why I stand here tonight.

We have a chance to fight back. In the last decade, the cost of a college education has risen by 40 percent. There is no end in sight. In a free economy, with free institutions, there is no way to legislate to control that cost or stop it, nor am I proposing we do so. We simply have to allow families to fight back, and it has to be more than loans. We have to offer more than debt. We have to let families help meet this cost.

I am very grateful to Senator GRASSLEY and Senator BAUCUS. Without their support, we would not even be having this debate. Senator SCHUMER would not be able to offer this amendment. The committee took a stand, and I am proud of every member of the Finance Committee for doing so. But now we can take a good provision and we can make it better.

I urge my colleagues to support the amendment. I think it is a vote in which we can all take great pride. I thank the Senator from New York for yielding me the time.

Mr. SCHUMER. I thank the Senator from New Jersey.

I ask unanimous consent that Senators Durbin and Dayton be added as cosponsors to this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SCHUMER. Mr. President, how much time has our side consumed?

The PRESIDING OFFICER. The Senator has consumed 28 minutes.

Mr. SCHUMER. Mr. President, I ask the Senator from Iowa, do the opponents of this amendment intend to use all of their hour?

Mr. GRASSLEY. Probably not, but we are going to use some time; yes.

Mr. SCHUMER. Maybe we can begin now. Does the Senator from New York, my friend and colleague, wish to speak now?

Mrs. CLINTON. I will be happy to speak now.

Mr. SCHUMER. I call on my colleague, the Senator from New York, who has been a leader on this issue and has worked with me side by side to make college tuition deductibility a reality. I yield to her 5 minutes.

The PRESIDING OFFICER. The Senator from New York.

Mrs. CLINTON. I thank the Chair.

Mr. President, I rise in support of this amendment which has been a passion of my senior Senator from New York. It arises out of the real-world experiences he and I have every day in New York where we meet parent after parent who is troubled by the rising costs of college tuition and other expenses associated with going to college.

I wish we would all recognize that going to college has become not just a luxury, but in many respects a necessity. There are so many jobs today which are on the leading edge of the economy that require the advanced education that can only come in a higher education setting.

The fastest growing occupations, all of them in the field of technology, require at least a bachelor's degree, and they pay much higher than average for full-time workers. The Senator has recognized that we have to do more to make college affordable for our families.

The saddest statistic I am aware of is as hard as it is to believe after all the work this body has done over the last years to make college more affordable, with the HOPE scholarships, with increasing Pell grants for worthy students, with the life-long learning tax credit, with all of that work, there are still so many children whose families cannot afford to send them to college or for whom the college tuition stretch is so great it requires mortgaging homes, it requires tremendous sacrifice from many working and middle-class families, and it often leads to a student having to drop out because the dollars just don't keep coming and there is not enough financial support.

In New York, for example, more than 80 percent of New York students go on to some form of higher education. Nearly 1 million students attend college in New York, yet not that many

finish. And the No. 1 reason given is financial hardship. The combination of the debt load that so many of our youngsters and their families have to carry, and the fact that sometimes that credit is just not available, makes the dream of college just beyond the reach of too many of our children and their families.

As we debate this overall tax bill, which has many features that are not, in my view, going to make us richer and stronger and smarter, I hope we will try to support this amendment which I think will do all of those. I think this amendment, Senator Schumer's college opportunity tax credit, is the single most important amendment we could pass in this entire debate. It not only will provide much needed financing, it will send a clear message that we in this Chamber have heard the students, the parents, the families, the businesses, and the colleges of America, we have heard their requests and we try to help make college affordable for all Americans.

The college challenge now of paying has become absolutely out of reach because average tuition has doubled in the last 20 years. Family incomes and financial aid have not doubled in a comparable period. It is time to give families in New York, families across America, the kind of tax cut they can really count on and that will mean something for everybody—the people who are the bulk of the taxpayers in this country. This amendment, when fully phased in, will give families a tax deduction of up to \$12,000 in tuition costs, which will provide as much as \$3,360 in tax relief.

I commend my colleague, my senior Senator, for his passion, his work, his persistence. I hope that work will finally culminate in a positive outcome today and we will pass the college opportunity tax cut, the kind of sensible, affordable tax cut that makes sense for America's families and especially for the young people for whom we, after all, have to think most clearly about trying to create a better future. There is no better investment we can make. I commend my colleague and thank him for his work on this critically important amendment.

Mr. GRASSLEY. Mr. President, I yield myself such time as I might consume.

Mr. NICKLES. Will the Senator yield?

Mr. GRASSLEY. I yield whatever time the Senator wants.

Mr. NICKLES. I am trying to get a copy of the amendment. Has the amendment been sent to the desk?

The PRESIDING OFFICER. Yes.

Mr. GRASSLEY. Mr. President, I know the Senator from New York wants to help people who need it. We all understand the importance of education. I go back to my opening statement and refer to the process by which this bill was brought about and the balance that is in it.

I know the Senator from New York doesn't mean to be selfish. And I don't

mean "selfish" for the college students he is trying to help, but the Senator is somewhat selfish in what we can do in one bill. For instance, he wants me to consider his point of view in spending more for college tuition. This may even be bipartisan; I don't know whether it will end up partisan or bipartisan. But either way, the Senator is asking us to consider his point of view being presented before the Senate while trying to undo a very carefully crafted, bipartisan compromise that was worked out between people such as Senator KYL on the one hand and Senator LINCOLN on the other dealing with the estate tax.

Maybe if you think the super rich in New York don't need anything done about the estate tax, that is perfectly legitimate. Maybe that is not being selfish, if you think about the small businesspeople of America who live moderately throughout their entire working career because they have to pour everything back into the business and they want to leave it to their kids, and we are raising the threshold, raising the unified credit so that doesn't have to happen, and this isn't even talking about doing away with the estate tax 10 years from now. We are only talking about raising unified credit and preserving the small businesses and the small farms, or you might say large businesses and large farms that are affected by it, but you are taking away from that to do what you want.

It is carefully crafted politically. It is crafted to look at as many interests as we can.

What is ludicrous about the approach is that for the last 2 months during the budget debate the Senator was one who was voting we should not have a \$1.6 trillion tax cut, should not have a \$1.35 trillion tax cut. I don't know about the \$950 billion bill that the Democrats put in, but 12 months ago people of the Senator's party didn't want any tax cuts at all. I hope Members are thanking President Bush that he ran on a program to cut taxes and got elected and he is performing in office the way he ran the campaign, keeping his campaign promise. We wouldn't even have a tax bill before us so that you could do what you want to do for your college students.

I wonder if the Senator has thought this through? We have Senator LINCOLN on your side, working with Senator KYL, for a very carefully crafted provision that is in this bill that, quite frankly, was a major problem for your ranking member, Senator BAUCUS. He didn't want to do as much as I wanted to do in this area or Senator KYL or Senator LINCOLN. But, as a matter of compromise, he went along with this so we could have a bill, a bipartisan bill, and make the process of bipartisanship work.

I am a little frustrated about the process. I am not even talking about the merits of your bill. I want to deal with the merits. I wonder if the Senator has thought about the condition in which you put Senator LINCOLN and

Senator KYL, how you can intellectually approach this sort of a deal on a \$1.3 trillion tax cut, and the Senator didn't even want any tax cuts.

Mr. SCHUMER. Will the Senator yield?

Mr. GRASSLEY. I yield because I need some answers.

Mr. SCHUMER. I thank the Senator. I would like to answer, since my name was used repeatedly.

First I want to say this. I have great respect for the Senator. I even share his frustration. It is not very easy to put together a tax bill. But I am sort of aghast at his implication, that because, however carefully the 20 members of the Finance Committee put together a compromise, which was supported—I would not call this bipartisan. As great respect as I have for Senator BAUCUS, it was not Democrats and Republicans coming together and meeting in the middle.

Mr. GRASSLEY. How many Democrats do you have to have to be bipartisan?

Mr. SCHUMER. I would say it should be a lot more than four or five, to answer the Senator's question.

If you look at the reconciliation vote, it was four or five. That is not bipartisan in my judgment.

I respect each Senator's right to make their decision. They come from different States.

But what I am aghast at is the implication of my good friend from Iowa that anyone who offers an amendment to the grand creation that he has put together has either not thought it through or is derelict in their duty.

Just the opposite, good sir. I am doing my duty to the people of New York by doing what they think is right. I daresay if they were asked should the estate tax, only on estates of over \$3 million, get a smaller reduction so the families who are making \$100,000 and \$80,000 and \$120,000 and \$50,000 and \$60,000 can get a break on tuition, my guess is, good sir, that 90 percent of the people of New York—and I would guess, although I do not want to second-guess the Senator from Iowa—but my guess is the people from his State would support this amendment.

Mr. GRASSLEY. Do you mind if I reclaim my time?

The PRESIDING OFFICER. The Senator from Iowa has the floor.

Mr. GRASSLEY. You told me you feel very strongly about it and you told me you thought this through and you are willing to present your view, regardless of the compromises on the other portions of the bill. You have every right to do that.

Mr. SCHUMER. I appreciate that.

Mr. GRASSLEY. I accept that.

Mr. SCHUMER. Will the Senator yield for a question?

Mr. GRASSLEY. I will yield for a question. I am not sure I will answer it.

Mr. SCHUMER. OK. My question is, Does he think his grand compromise is beyond improvement? Is it perfection itself?

Mr. GRASSLEY. I do not think it is perfect.

Mr. SCHUMER. All I can say to my good friend, CHARLES S. GRASSLEY, from CHARLES S. SCHUMER, is I am trying to make your wonderful compromise a little bit better.

Mr. GRASSLEY. I hope you respect my right, that we have worked hard to put this together and I want to protect it as much as I can.

Mr. SCHUMER. I sure do.

Mr. GRASSLEY. Not because of the substance of the bill as much as the process by which this has come together and what that says about the Senate's workings and the bipartisanship that is necessary to getting it done around here.

Mr. SCHUMER. If the Senator will yield, and I am glad we are having a debate, in all respect I think there are a lot of us in this Chamber who are not enamored with this process.

Let me give you my little example. I received great help from the Joint Tax Committee. But they frenetically rushed in the last few hours to get me estimates and put together the bill.

We are trying to debate this most significant tax legislation in 2 days, with 20 hours of debate. I was here, it was my first year, for Gramm-Latta. There were heated debates, but there was no effort to cut off amendments. There was no effort to stretch—one of the reasons our amendment is crafted as it is, good sir, is because the reconciliation process that was used does not allow many other amendments.

I am not enamored with this process. I respect bipartisan compromise. I think, in good faith, the Senator from Iowa has taken some flak from his side. My friend, the Senator from Montana, for whom I have enormous respect and do not begrudge him one iota for his views and what he has done, has taken a good deal of flak from his side. I respect that. I try to come up with bipartisan compromises whenever I can.

But I have to tell you I do not respect the process here. It is a rushed process. It is a hurried process. It is a process that does not allow deliberation. It is a process that is not the Senate at its finest.

So, yes, it is nice to have a bipartisan compromise. But if that bipartisan compromise is worth much—

The PRESIDING OFFICER. The Senator from Iowa has the floor.

Mr. SCHUMER. If I can just finish?

Mr. GRASSLEY. I think we have had discussion enough on this.

Mr. SCHUMER. Okay. I thank the Senator.

Mr. GRASSLEY. Does the Senator from Montana want me to yield for a minute?

Mr. BAUCUS addressed the Chair.

Mr. GRASSLEY. I yield some time off my time to Senator BAUCUS.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, this is not an easy matter, of course. We want every child to have the opportunity to

attend college, to get a higher education. That is a given. It is particularly important in these days, as the economy gets more and more complex, the world economy more globalized. I think the major advantage we have in the United States of America is our education system. When we talk about value-added, it is knowledge-based, value-added America through education that is going to give us the competitive advantage compared to other countries around the world. Education is key. It is Head Start. It is pre-head Start. It is all that goes into children, from the instant they are born, creating a family environment and community environment to help kids be excited about life—not be put down, but excited—Head Start, kindergarten, all the way through elementary, secondary and, of course, higher education. That is a given.

We are doing what we can to help make that happen. Rome was not built in a day, but we are doing all we can to help make that happen.

I might have a couple or three points here. One, I would like to remind Senators what we provide for in this bill that helps kids get a better education. There are the provisions which help elementary and secondary students. The amendment offered by my good friend from New York is directed more toward higher education.

Let me just go through what we have for education. Essentially, it is about \$35 billion in this bill, over 10 years, for education. About \$11 billion of that is for higher ed; it is to add something new in this legislation which has not existed in prior law. What is that? That is to provide a deduction for college tuition. In the bill it starts at lower amounts, \$2,000 or \$3,000, and gets up to a \$10,000 deduction for tuition for education. That is new. We have never done that before in the U.S. Congress. That is new in America. That is in this bill. It is a start.

Is it everything? No. It is clear tuition in some colleges is a lot more than that, but it is a start. It will help students get a break when they go to college and other loans are available. In fact, this bill, I remind my good friend from New York, actually deletes the limitation on interest deduction for student loans so students will always have their interest deduction on student loans.

Does that solve all the problems? No. It is a help, it is a start. We know in life there are no free lunches. There are none. We have to work sometimes in life for what we want to attain. We can't just give gifts to everybody. We want to help. We want to help kids go to college, do the very best we can to create conditions to make that possible. In addition, private institutions have availability for prepaid tuition programs. That has not been available in the past.

I mentioned the modification of the student interest deduction; that is, the limitation is eliminated. IRAs, for edu-

cation IRAs, that is expanded from a \$500 contribution to \$2,000. There are several other provisions in here which will help education. They total, as I said, about \$35 billion over 10 years. It is \$10 billion, the program suggested by my good friend from New York.

I join in the frustration of my good friend from New York at the difficulty in getting amendments scored by Joint Tax. Why do we face that? It is because this bill is being rushed. There is no doubt about it. Because this bill is being rushed, we are bound to make mistakes. We are bound to not have the information we should have. That is very unfortunate.

I personally believe we should not be working on a tax bill in the context of reconciliation which has very constricting limits on debate and amendments. But we are. I had hoped we would not be on this bill until Monday of this week. But others with so-called pay grades higher than mine had a different view than mine and we are here now. We have to deal with what we have. That is unfortunate, but that is where we are.

I would like to have a lot more in here for education. I have a soft spot for education. I think most of us have a soft spot for education. But we cannot do it all at once. I wish we could, but we cannot. But we have a terrific—just think of it—start with the deduction of college tuition provided for in this Senate bill of up to \$5,000. That is not small change. Mr. President, \$5,000 toward tuition is a start. Students can make up the difference in various other ways, either through families or jobs or scholarships. There are ways to get things done, and certainly \$5,000 is going to help a lot.

But I want to make a point to my good friend from New York. He does have a very good point: Gee, this so-called grand compromise, this grand perfect bill, and so forth, can be made better. Of course it can. I would like it to be made better.

I know my good friend from New York and other Senators realize that all things are not equal. And what is a little bit different here is that there happens to be a different body down thataway. That other body down the hall has a different view on this tax proposal. They are going to want to change this dramatically in conference. This tax bill is going to change dramatically in a direction, I might suppose, that is contrary to the wishes of the Senator from New York.

So what I am trying to do, in getting a package together—and working with the chairman of the committee, for whom, I might add, I have the utmost respect—is to get an agreement that is better than what would otherwise pass in this Chamber, because if we did not have this bipartisan compromise, I guarantee you we would have a tax bill in this Chamber which would be much less to the liking of the Senator from New York and virtually every one of my colleagues on my side of the aisle.

But now we can go to conference in a better position and come back with a result which is better than it otherwise might be. Were it not for that context, I would probably be here arguing, yes, we should change this; we should add more for tuition deduction; we should do that. But there is no free lunch here. We have to deal with the deck we were dealt. In that context, it is a better bill from the perspective of the Senator from New York, so we can go to conference and come back with a result that is better than it otherwise would be for the Senator from New York and for other Senators. That is really where we are.

So for all those reasons—and basically it is the last reason—I have the utmost respect, I must say, for my very good friend from New York. New York has two super Senators, and one of them is Senator SCHUMER. The other is Senator CLINTON. I must say I don't know of a Senator around here for whom I have a higher regard than Senator SCHUMER; I might say Senator CLINTON, but certainly Senator SCHUMER from New York. He is on the right track. I have the utmost respect for him, but I cannot support his amendment because I want and I believe, in the end, when the conference report comes back through this process, we can come up with a better product.

The PRESIDING OFFICER (Mr. ENSIGN). The Senator from Iowa.

Mr. GRASSLEY. I yield such time as he might want to the Senator from Arizona.

What time does the Senator wish to have?

Mr. KYL. Ten minutes.

The PRESIDING OFFICER. The Senator from Arizona is recognized for 10 minutes.

Mr. KYL. Mr. President, let me first echo what the Senator from Montana has just been saying with respect to support for education. As he noted, this bill already has substantial benefits for education.

Unfortunately, the amendment of the Senator from New York, in order to provide the money for those benefits, has to get money from someplace else in the bill. It is called an offset.

What I want to talk about is the offset here because in order to try to help education, he is pitting one group against the other. The group that would be the big loser here is all the small businesses, all the entrepreneurs, the small family farmers, and the others who were looking forward to some death tax relief, to a reduction in the rates of the estate tax. That would be gone under this amendment.

All of the rate relief that was provided for in this bill would be eliminated. So instead of the rates going from 60 percent, which is the effective death tax relief rate, down to 45 percent under the bill here—which is still far too high—this would take all of that and put it back up to the effective 60-percent rate.

It is morally wrong. I think everybody on the committee who voted for

the bill agrees that it is morally wrong for the U.S. Government to take more than half in any tax. And I don't think we have another tax that taxes people at the rate of 50 percent. This would be the highest rate in the world except, I believe, for the country of Japan.

Most Americans believe it is morally wrong to take more than half of all of the assets that somebody has saved in their life, assets that could be passed on to their children. The American dream in this country has always been to leave the next generation better off than your generation, to do a little bit to pass on for the next generation. Especially that has been true of the small entrepreneurs, more than half of whom are women in the United States of America.

That is why in the committee we decided to use some of the tax relief available for us to reduce the rate that estates were charged. What this amendment by the Senator from New York would do is wipe out all of that rate relief for which we provided. That is an unfair tradeoff. It is an improper tradeoff. Regardless of how much more someone might want to do for more education, it should not be paid for in this way.

Mr. SCHUMER. Will the Senator yield for a question?

Mr. KYL. I am happy to yield.

Mr. SCHUMER. Does the Senator know or dispute the fact that the only people who would be hurt by this amendment are those with estates worth over \$3 million, where the rate will no longer be 55 percent but 53 percent?

Mr. KYL. The Senator does dispute that because as the Senator from New York should be aware, under the relief in the tax bill that is before us right now, the exemption he is speaking of, or the unified credit, does not take full effect until the final year of the legislation. So it is not true what the Senator from New York has just said. The rate relief provided in this bill currently before us takes the rate from the current level down to 45 percent.

It does that over a period of time. We do not even do that immediately, nor does the unified credit lock into effect immediately.

Mr. SCHUMER. But does the Senator dispute the top rate is only paid by estates worth over \$3 million?

Mr. KYL. The top rate—

Mr. SCHUMER. We only change the top rate in our amendment.

Mr. KYL. The Senator from New York has decided to pay for the benefit in his amendment by taking the top rate, which is an effective rate of 60 percent, and leaving it right there.

Is the Senator from Arizona incorrect in what the Senator from New York just said?

Mr. SCHUMER. Yes. We do not leave it there. We reduce it from 55 percent to 53 percent. But the only people affected are those with estates worth over \$3 million.

Mr. KYL. I stand corrected—from 55 percent to 53 percent. So we are still

taking more than half. More than half of the value of the estate is going to be taken by the U.S. Government rather than passed on to the heirs. I stand corrected. It is not 55 percent; it is 53 percent. But because of the bubble effect, I am sure the Senator from New York would agree that the effective rate is closer to 60 percent, the result of which is that the rate relief that we have provided people—which caused a lot of people to vote for this bill—will be wiped out if this amendment is adopted.

Death tax or estate tax relief is very popular in this country. In one poll, it is supported by 89 percent of the people. A Gallup poll last year had one of the lowest percentages of support I have seen: 60 percent. In that poll, over three-fourths of the people acknowledged they would not even benefit from the relief but they understood it to be fair. Anytime more than half of your assets are being taken by the Government, Americans understand that is unfair. Even if they are not going to benefit from the relief, they realize there should be some relief from that.

Let me note a couple of the studies that demonstrate the pernicious effect of the rates as they exist today and why we decided to bring them down in this bill.

A February 2000 study by the National Association of Women-Owned Businesses, the Independent Women's Forum, and the Center for the Study of Taxation found that the death tax costs female entrepreneurs nearly \$60,000 on death tax planning, money obviously they could be using in their own businesses. They report that 39 jobs were lost per business due to the cost of death tax planning over the last 5 years and that the cost of death tax planning will prevent the creation of 103 new jobs per business in the next 5 years.

There is study after study after study that demonstrates the effect, not only in the macroeconomic sense in terms of gross national product lost, capital formation reduced, and the like, and jobs lost, but the effect for the average small business which, as I pointed out, is a woman-owned business in this country. That is why groups as diverse as the National Federation for Independent Businesses, the Hispanic Chamber of Commerce, the National Black Chamber of Commerce, the National Association of Women-Owned Businesses, and the National Association of Neighborhoods—and on and on and on—50-some organizations have all joined in urging the Congress to enact death tax relief.

Mr. SCHUMER. Will the Senator yield for a question?

Mr. KYL. The Senator from Arizona might need to ask for a little more time.

Mr. SCHUMER. Mr. President, I will be happy to yield a couple minutes of my time.

Mr. KYL. I yield to the Senator from New York.

Mr. SCHUMER. Does the Senator dispute that our amendment continues the repeal of the estate tax in the exact time as the committee bill, in the year 2011, and that the only thing affected in our amendment—we can read a long list of everyone who is for repeal of the estate tax; that is not affected—the only thing that is affected is estates of over \$3 million whose top rate goes down not from 55 to 45, but 55 to 53? With that change alone, we make college tuition up to \$12,000 tax deductible.

Mr. KYL. I will not yield to the Senator to give a speech.

Mr. SCHUMER. Does the Senator dispute that?

Mr. KYL. I am fully aware of the effect of the Senator's amendment. Let me ask the Senator this question, if he would like to respond to my question. The Senator asked if I was aware that his amendment did not affect the repeal of the estate tax in the final year of this bill. I am aware of that. Does the Senator from New York agree with me that the estate tax repeal should be permanent and should not terminate at 9 months? Would the Senator from New York support the Senator from Arizona in attempting to make permanent the repeal of the estate tax?

Mr. SCHUMER. The Senator from Arizona is well aware of my record. I voted against that. But that is not this amendment.

Mr. KYL. I reclaim my time. The point the Senator from New York was trying to make was that his amendment didn't affect the repeal of the estate tax. That is true. The repeal of the estate tax is only in existence for 9 months because of Senators such as the Senator from New York who won't agree to make it permanent. So the relief is very tenuous here for people, and that is why I am fighting very hard to retain the rate relief. The repeal of the estate tax is going to go away 9 months after it goes into effect, which is in the 10th year of this bill. That is why we need the rate relief that is built into the bill, and that is what is taken away by the amendment of the Senator from New York.

I am happy to yield.

Mr. SCHUMER. I thank the Senator.

The PRESIDING OFFICER. The Chair will remind both Senators to address each other through the Chair.

Mr. SCHUMER. I thank the Chair.

I will simply say to my good friend from Arizona, with whom I have worked on many issues and who is a fine man of great integrity, that my vote is not needed for repeal. Very simply, I say to the Senator, the reason they didn't put repeal in the bill had nothing to do with the Senator from New York or the 45 Senators who have not been part of this process. The reason they didn't put it in is it is so darned expensive that they wouldn't have been able to do all the other things. So that is a bugaboo. That is not a fair characterization.

Again, whether you are for or against repeal of this estate tax has nothing to

do with this amendment. What has to do with this amendment is whether you believe that estates of over \$3 million should get less of a reduction, although still a reduction, so that families making \$40,000, \$50,000, \$60,000, \$70,000 can get some break in paying college tuition. That is what the amendment does.

Does the Senator disagree about the amendment, regardless of my view or anyone else's view of whether the estate tax should be repealed?

Mr. KYL. Mr. President, reclaiming my time, it is evident that the Senator from New York does not want to see a permanent repeal of the estate tax. He does not want to see a reduction in the rates except by 2 points, from 55 to 53. He apparently agrees with me that because of the bubble effect, the effective rate is closer to 60 percent. As a result of his amendment, and as a result of his opposition to making the repeal of the estate tax permanent, albeit with other Senators as well—I am not suggesting that my friend from New York is the only one who may oppose that—opposing that and then also wiping out the rate relief that we are providing here leaves very thin any opportunity for us to go back to the American people and say we have done anything meaningful with respect to death tax relief. Yet that, according to public opinion surveys, is among the most popular of the features of the bill which we passed out of committee and which is on the floor.

That is why I say to my good friend from New York, as laudable as it is for the Federal Government to assist families sending their kids for education—Heaven knows, I could have used some of that assistance a few years ago—as laudable as that is, we need to recognize, No. 1, that the bill already has education relief in it, and, No. 2, if we take out this rate relief, we are effectively gutting the bill's effective help for people with respect to the estate tax because of the fact that the 53-percent rate would still be in existence and that that rate, because of the bubble effect, is actually closer to 60 percent.

The PRESIDING OFFICER. The time yielded to the Senator from Arizona has expired.

Who yields time?

Mr. SCHUMER. Mr. President, I will yield to my friend from Delaware next, but I just make one point to my friend from Arizona. This is on my time.

This bill is about choices. No one wants anyone to pay any taxes on anything. The reason the estate tax repeal is lower on my list than helping middle-class families with college tuition is, it is my judgment—and we will see the judgment of every Senator in this Chamber—that a family making \$50,000 and paying \$10,000 or \$15,000 in tuition deserves relief more quickly than an estate that is worth over \$3 million. In an ideal world, we would do both.

But I don't think the Senator from Arizona is correct. The reason the com-

mittee did not put the estate tax in had nothing to do with opposition. They have the votes to pass this. They could have put it in the bill and had the votes to pass it. But they made some choices. They wanted rate reduction and marriage penalty and other things before they wanted the estate tax, having nothing to do with the 45 of us or so who are against the estate tax. But they had to say they were repealing it, so they went through the sham of doing it in 2011.

I repeat to my friend: Choices, choices, choices. Do you believe the family making \$50,000 deserves help with tuition before the estate over \$3 million gets a rate drop bigger than the one I am proposing? That is what this is all about. This is not a debate on the estate tax. It is not a debate on the estate tax because most of the folks on the side of the Senator from Arizona didn't want to do it because it cost so much and went to so few people.

With that, I yield 10 minutes to the Senator from Delaware.

Mr. BIDEN. Mr. President, I have been standing here for a long while.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. BIDEN. Mr. President, I wanted to make a statement before I yield.

The PRESIDING OFFICER. The Senator from Delaware has been yielded time.

Mr. KYL. I have a question for the Chair.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. KYL. My understanding was the Senator from New York was willing to yield time to me for the time he took on my time. What I am asking is, is there a minute of time that my friend from New York took that was in fact included in my time?

The PRESIDING OFFICER. The time was charged to the Senator from New York. So the Senator from Arizona did in fact have the full 10 minutes.

Mr. KYL. I thank the Chair.

Mr. BIDEN. Mr. President, I would be happy to yield, if he wants.

I find this the single most fascinating debate I have been involved in in 28 years. I sincerely do. It is not a joke. I am not being facetious. I find this absolutely fascinating.

This isn't just about choices. This is about values. My friend from Arizona says "morality." Give me a break. Morality? This is about values. This is about what you value. Is it of a higher value to you to make sure that the fewer than one-tenth of 1 percent of the people in America, numbering literally in the thousands, who will have to pay an estate tax over \$3 million—the first 3, no tax—will have their rate dropped from 55 to 53 instead of 55 to 50—is that of greater value and moral content than paying for tens of thousands of Americans, sitting in this gallery, listening to this debate, being able to send their kid to school?

Talk about morals. Talk about morality. Talk about values. You have

just summarized the fundamental difference between that side and this side. This is about values. I have never had it so starkly and honestly stated on this floor. This is about values: What do we value as Americans? Given the fact we just received a beautiful speech from both the managers of the bill about how we can't do everything; it has to be done gradually, my Lord, values, values, values, values.

I will tell you what my values are. My values come from the middle-class family in which I was raised. There are three things a parent can give a child: They can give them faith, they can give the child an education, and they can give the child character. We want to talk about values. Is it better that I see to it that if I am lucky enough to have a \$4 million estate left, that on \$1 million of that, I leave to my heirs several thousands dollars less than they would otherwise get because they won the genetic pool or that somebody in the State of Nevada, or in Delaware, or New York is busting their neck working two jobs, both parents trying to send their kids to school and can't get them to college.

Tell me about values. Where I come from, that is an easy call. That is not even close. It would be viewed by most where I come from as immoral to give the kid who won the genetic pool \$3,000 more than the million they already get and to allow the person who is working two or three jobs in one family to not be able to send their kid to school.

I am glad my friend raised it in moral terms. I didn't quite think of it that way before.

Look, let's talk about the morality of what we are considering here—whether it is immoral to charge someone over 50 percent after they are dead so their heirs will receive \$10,920,000 instead of \$14,110,000, or whatever the numbers would come out to.

Everybody in this Chamber acknowledges what my friend from New York has been saying. College tuition is skyrocketing beyond the means of most of us. When we talk about the minimum wage and say that kids should work their way through college—I worked; they flirted with me about football scholarships, a grant in aid, and I got a job making a dollar an hour. Guess what. The tuition for the whole year was \$800. A dollar an hour helped. It is true. The staff looks at me as if I am a fossil. We are paying now \$5, \$5.50. We can raise the minimum wage to \$6. Tell me how many hours you would have to work to pay at a State university such as mine, where room and board and tuition is somewhere around \$17,000.

At the University of Iowa, it is \$10,000 or more. Tell me how many hours you would work for that. Tell me how you can work your way through school today. You just work your way through school. How many families do you men and women know—maybe I lived in a different neighborhood, came from a different place—who both work and some have two jobs? How many do you

know? I know lots of such people. Lots of people. Talk about values. Look, everything is relevant. The question here is, What do you value the most?

I would like to point out another thing, without going into all the statistics. There are a couple of points I want to make to you. By the time this kicks in—the Schumer-Biden amendment—it makes \$3,000 of college tuition and fees tax deductible.

Let's talk about what this giant tax bill is going to do for middle-class families, OK. When all is said and done, if we don't put anything in here at all, nothing at all about tuition—let's talk about what helps the people making up to \$120,000 in joint income—you are going to get \$1,400 back when it kicks back. OK, that is great. I am all for that. Guess how much you get back by the time ours kicks in for your tuition. It is \$3,306. Our tuition tax proposal is bigger than the whole tax cut you get. Come on.

We all stand here and say, because most of us come from middle-class roots, middle-class backgrounds, we care about the middle class. No matter how you cut this, in terms of raw dollars, in terms of what you value, in terms of education, this is a bigger bump for the average middle-class family with a kid in school or somebody trying to put themselves through school than the entire tax break you get.

I don't know where you guys live. I don't know where you live. Quite frankly, I thought it was brilliant of my friend from New York. He and I have been doing this for over 2 years in our different capacities. He said, OK, we have to find an offset because of the stupid process we have. He put in the least innocuous offset you could find. If this would offend you, my Lord—this goes to permanent 11 years out. We are slowing up 3 percent to give tens of thousands of Americans a chance to send their kids to school.

This is not the place I joined 28 years ago. Do we have our values upside down? Do we have our priorities backwards? It is similar to my saying, you know, the guy who lives in that \$4 million estate down there, because the county has raised the sewer fees and because he has seven bathrooms, he is going to end up paying \$120 a year more, so we should give him relief. The guy living in the place where he has a two-bedroom bungalow, trying to figure out how to pay the electric costs and the heat because of the energy prices going up, we will rip our hair out to decide whether or not, my God, do we continue this relief we have for people—

The PRESIDING OFFICER. The Senator's time has expired.

Mr. BIDEN. May I have 2 more minutes?

Mr. SCHUMER. I can yield the Senator 1 more minute.

Mr. BIDEN. I thank the Senator.

Mr. President, the bottom line is that this is a vote about values. This is

a way to define, very simply, what you value most. If you value giving 5-percent relief to people with estates over \$3 million, instead of 3 percent, more than you value allowing tens of thousands of Americans to get up to \$3,300 in relief on their taxes, which can be to do everything from paying tuition to paying the light bill, middle-class families, then vote against us.

Make no mistake about it. My friend from Arizona is right. This is a moral question. This is about value. I know where I stand. I am interested to see where the Senate stands.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Mr. President, while I am waiting to yield some time to Senator NICKLES, there is a certain unfairness about the death tax that I will present to my colleagues for consideration. Based on the recent speeches, though, I am not sure it is going to make much difference.

You can have two people who, throughout a lifetime, make the same amount of money. They are all taxed when they make it at the income tax levels. You can have this family over here living very conservatively, moderately—you might even say miserly—and leave a big estate. You can also have this family over here that spends their money as quickly as they get it, buying a big boat, a big camper, partying every night, womanizing every night, not leaving one penny to their heirs.

This family has been taxed once throughout their lifetime on that money. This family over here has been taxed exactly the same way when it was made, and then, just because they were very careful how they lived, they are going to be taxed again when they die. What is the fairness about that sort of taxation?

We ought to reward thrift. We ought to discourage this sort of activity over here where people are living for today and forgetting about tomorrow and reward the people who look to the future and are concerned about their children and grandchildren. It seems to me there ought to be some reward for that.

As long as I have been in Congress, my belief is that no American family should be forced to pay up to 60 percent of their savings, their business, or their family farm in taxes when they die. No taxpayer should be visited by the undertaker and the tax collector at the same time. No tax should be greater than 50 percent.

I have heard from hundreds of American taxpayers saying that all their lives they had saved for their children and grandchildren's college education. They have worked overtime and saved all their money, and now the death tax is going to take over 50 percent of their savings that was going to pay for other college tuition for relatives.

Remember that the 50-percent tax rate starts at \$2 million. You can pay a lot of college education on that kind of savings.

Let our American taxpayers keep their savings and pay their grandchildren's tuition. Do not steal the American dream from these families that have lived conservatively and worked just as hard as other people who leave nothing and pay taxes once.

Remember, a \$3 million estate will pay the Government in death taxes over \$1 million. That will pay a lot of tuition as well.

This amendment will control the lives of Americans by only reducing the death tax to 53 percent. Let American parents and grandparents keep their savings. No tax should be greater than 50 percent.

Once again, how much tax is too much for people who want to tax income and estates at a higher rate? It is obvious Senator SCHUMER thinks that 53 percent on the estate of these people who have not spent all their money and who save it is legitimate. I do not happen to think so.

I do not understand how a person who talks about fairness can say that a family who has had good income throughout their lives and has not saved one penny should only be taxed once, and another family that has the same income and paid the same income tax on it as this other family, but because they wanted to live carefully, moderately, miserly, and save their money for whatever they wanted to save it for, they should be taxed again. There ought to be some reward for not living just for today and forgetting about tomorrow. I will vote no on this amendment, and I urge my colleagues to do the same.

I need to tell my colleagues that I have received hundreds of phone calls and letters from people who are particularly in the World War II generation. Only this morning we were reminded by Senator STEVENS that these World War II veterans are dying by the thousands every day, and they cannot wait 10 years for death tax reform.

They tell me they have been morally responsible citizens, and they are angry that the last 40 or 50 years of their savings, having lived carefully and having worked hard, will be stolen. They are angry that the Federal Government will not let them educate their children and grandchildren so they are not forced for yet another generation working 60 hours a week. The World War II generation wants to help their grandchildren stay in the middle class without mountains of debt.

Mr. SCHUMER. Will the Senator yield?

Mr. GRASSLEY. College education is a good goal, but let the American taxpayers make their own decisions. No tax should be greater than 50 percent. I yield the floor.

Mr. SCHUMER. Will the Senator yield for a question?

Mr. GRASSLEY. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. SCHUMER. I yield myself 30 seconds. That was a very good speech, and

I believe it, too. The number of estates in the Senator's State of Iowa that paid an estate tax of more than \$5 million—we are debating \$3 million, so this is probably a little low—is 23. That speech was given for approximately 35 families a year in Iowa, the very wealthiest, instead of the tens of thousands of grandparents of World War II veterans, such as my father, who have to struggle to put their kids and grandkids through college. Thirty families in Iowa, estate tax reduction; tens of thousands, college tuition reduction. Choices.

We would all like to reduce every tax. Which do you choose?

I yield 4 minutes to my friend from North Dakota.

Mr. DORGAN. Mr. President, we have every right to come to this Chamber and change this tax bill. It was written in the Finance Committee. We as Members of the Senate have a right to say we have better ideas.

I will talk about this so-called death tax. The term "death tax" was created by a Republican pollster. It is a wonderful moniker for the estate tax. Mr. President, I am going to give my colleagues a chance to vote on something that solves all their problems.

Talk about family farms and small businesses, I am going to offer an amendment that repeals the estate tax for all family farms and all family businesses regardless of size as long as they are passed along to descendants and continue to operate as an enterprise. Total repeal. My amendment also would increase the general unified estate credit that is available to everyone to \$8 million for a husband and wife; \$4 million each.

The only estates we are talking about will be over \$8 million. And if one comes out and talks about family farms and family businesses. It does not apply. They are already repealed.

The question before my colleagues now is the amendment offered by Senator SCHUMER, and it is about choices. Regrettably, it is about selfish choices. It is about choosing to allow families to deduct tuition expenses for their children versus a choice that was made in the Finance Committee to repeal the estate tax and reduce the rate. They said, no, holding on to that repeal is more important than providing the full tuition deduction.

Look, there are a lot of families in this country who scrape and struggle trying to figure out how to send their kids to college. It may not be true with some Members of the Senate, but it is true with almost every family in this country. They are struggling to figure out how to send their kid to college. What do they mortgage? Often they mortgage everything they have to find the money to send their kid to school because they are not going to say no to a kid who deserves the opportunity to get a higher education.

What Senator SCHUMER says, what I say, and what my colleagues say is the value of deciding that we ought to

allow the deduction for college tuition is something that enhances our children; it invests in our future. It is the right choice, not the selfish choice.

He is weighing it against the issue of a top rate reduction in the estate tax for only the wealthiest estates in the country.

Guess what. We have people who stand in this Chamber and say: If you want to know whose side I am on, count me in on the side of the people with the largest estates in America, and do not count me as standing with the folks who are struggling to scrape money together to find a way to send their kids to school.

Yes, this is about choices. It is about for whom you stand. Whose side are you on? No, that is not class warfare. We have already chosen what class here. The Finance Committee chose the class way up here with assets where they do not have to worry about where they get the money. That money was banked years ago to send their kids to the best colleges in the world. And God bless them, good for them.

Senator SCHUMER says—and I say, too—there are millions of families out there who do not have the resources. They worked hard, struggled hard, and they want a good education for their family, too. They want a good education for their kids. They want an opportunity for their children.

One way to help them provide that opportunity is to allow them to deduct the cost of their tuition expense of sending their children to college. Gosh, I do not understand sometimes, I guess, when people say: We have written this bill. This is our choice. We do not appreciate you coming up here requiring us to make votes on tough choices.

That is exactly what politics is. That is what this process is about.

I say to the Finance Committee: You made the wrong choice. We have a right to ask the Senate to make the right choice on behalf of America's families and on behalf of America's children.

This is not going to stop. We have a lot of amendments. A number of people have amendments. I have amendments that I think will dramatically improve this bill. This amendment is among the most important amendments on which we will vote. I hope we have a strong vote in support of the Schumer amendment.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. How much time remains?

The PRESIDING OFFICER. There are 7 minutes for the sponsor, and the opponent has 22 minutes.

Mr. DORGAN. Will we be expecting a vote at the conclusion of the time on this amendment?

The PRESIDING OFFICER. That would be anticipated.

Mr. BAUCUS. I don't know. Perhaps the Senator from Nevada and others know what the leadership's view is on the timing of the vote of the next

amendment. Perhaps the Senator from Nevada can shed some light.

Mr. REID. I was going to wait until the time expires to ask the same question. We would like to have a vote. Senator BYRD indicates he does not want the votes stacked. We would like to vote and move on.

Mr. DORGAN. Further parliamentary inquiry: Have the yeas and nays been ordered on the amendment?

The PRESIDING OFFICER. They have not been ordered.

Mr. SCHUMER. Mr. President, I ask that the yeas and nays be ordered.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second. The yeas and nays are ordered.

Mr. NICKLES. Mr. President, I thank my colleagues and urge strong opposition to this amendment. It guts the effort to reduce the so-called estate tax, the tax on death. Some people say let's see if we cannot do more for providing for interest deductibility on student loans. I am happy to do it. But this is not the way to pay for it. Maybe we can do it without an offset. Maybe we can find another offset. I am happy to try to find a different offset—or maybe no offset altogether.

Why do we do this? We are at \$1.35 trillion. I guess the cost is \$11 billion or \$12 billion. Maybe we can add to the cost of the bill—that is one way—or find an offset. I can think of things in the bill that are not quite as meritorious as an estate tax deduction. I believe it is unconscionable we will take over half of somebody's estate because they die.

In many cases, in an estate there is a business or operation and someone wants to continue operations, and we will say: We don't care; we want half of it. Somebody died but give the Federal Government half.

The bill we have is rather timid in what it does. I remember the former Senator from Illinois, Carole Moseley-Braun, agreed we should not have a death tax exceeding the maximum tax rate on personal income tax, which is 39.6. We didn't even do that in this bill. We didn't even do that. President Clinton said maybe we shouldn't have death taxes exceeding the personal income tax rate. For all the talk about the grand estate tax reduction and all the benefits, all we do is, the tax presently starts at 60 percent and we get it to 45 percent, and then for a grand 9-month period we get it repealed.

But my colleague's amendment says let's stop and keep the tax at 53 percent. As soon as you have a taxable estate, it is taxed at 53 percent. There will be no tax once you reach that \$2 million exemption; the Federal Government gets half.

Let's just assume you have a restaurant in New York City and that restaurant is worth \$5 million and somebody passes it on, maybe to a third generation, and the grandson wants to continue operating the restaurant worth \$5 million. Uncle Sam says, no, we want half.

I think that is wrong. I urge my colleagues to vote against this amendment when and if we get to a vote on it. I urge Members to vote no because the pay-for is wrong. We can perhaps work together to find another vehicle or another way to pay for it. It is not that expensive an amendment. The effect of the amendment is to gut the estate tax reform we have in this bill. It guts it. This is a whole lot of the bipartisanship we have, where we have Democrats and Republicans who have come together to say let's reduce the estate tax.

Mr. SCHUMER. Will the Senator yield?

Mr. NICKLES. I will yield in a moment.

Mr. SCHUMER. I appreciate that.

Mr. NICKLES. Last year we passed a bipartisan bill, with 59 votes in the Senate, to repeal the death tax. This amendment says let's not do that; stop at 53 percent; the Government is entitled to take over half.

I think this is a terrible pay-for. It is a terrible offset. It is class warfare rhetoric at its worst. It is not the way to do it or to pay for it. My colleague from New York would work with us, like our colleague from New Jersey. Let's work together, and maybe we can figure out a way to do this to expand the interest deduction for all Americans. I am happy to work with our colleagues to do that. I think you will find bipartisan support for doing it. But not at the expense of gutting the reduction we have in one of the most unfair taxes on the books, the so-called death tax.

It is absolutely unconscionable we will tell people who are farming that their farm or ranch happens to be worth \$3 or \$4 or \$5 million and the Federal Government is entitled to take half. I think it is wrong.

I urge my colleagues, because somebody asked for the yeas and nays on the Schumer amendment, vote it down. Then we can come back. I will be happy to support an amendment that will increase the interest deduction and have a different pay-for than what is in here. The way this amendment is paid for is grossly unfair to millions of small businesses all across the country that are trying to build and pass on their business to their kids. This amendment is unfair, and it should be defeated. Let's find a different pay-for or offset it in a different way, in a different manner, not in the manner proposed by my colleague from New York.

I will be happy to yield.

Mr. SCHUMER. I thank the Senator. I appreciate our difference of opinion.

My question to my friend from Oklahoma is this: Since the framers of the bill who are largely from his side chose not to repeal the so-called death tax until 2011, how the heck—and his main speech was aimed at repeal, the restaurant in New York City, et cetera. Whether we tax at 45 percent or at 53 percent, they are going to have to do something bad for their business when the estate occurs.

How the heck does reducing that top rate on estates over \$3 million, instead of from 55 to 45, but from 55 to 53, while we keep the same date of repeal as the framers of this compromise chose—how the heck does it gut the estate tax?

One other question: In the State of Oklahoma, the number of estates that would be affected on an annual basis—I don't know the exact number. I know the numbers that are valued over \$5 million. This would be over \$3 million. Affected by this amendment for estates over \$5 million, there are 28. That is it.

Mr. NICKLES. Is the Senator on my time or your time?

Mr. SCHUMER. Your time.

Mr. NICKLES. Then I will answer. My colleague could not be more wrong. The Senator does not understand the essence of estate if you think there are only 28 Oklahomans who have estates over \$5 million. There are millions of estates, millions of estates in this country right now, that are effectively wasting a lot of time, energy, and resources to avoid paying this unfair, punitive tax. There are probably millions in your home State, millions in your State alone.

Let me give an example. I used to own and operate a small business. It wasn't in this valuation, but it comes out on occasion when someone suffers a death and finds Uncle Sam wants a third or half. You don't want to have that happen again. You go to great lengths to make sure it doesn't happen again. So if you think this only applies to a few, you are sadly mistaken—absolutely mistaken.

There is more energy and effort used in spending to avoid this tax than probably any other tax in America because it is unfair. I was third generation in the company I managed, Nickles Machine Corporation. I managed it for several years and am proud of it. I had nephews managing until recently. It is difficult to pass on a business to succeeding generations if Government comes in and takes half every time one person in a generation passes away. It is next to impossible.

To think we have calculated that there are only so many taxable estates misses the whole point. There are millions of businesses, farms, ranches, and so on, where people are working aggressively to build, maybe get in that category, maybe they are not. But they do not want to be caught. They do not want to be stuck. They do not want their children to have to sell to pay taxes to the Federal Government.

Mr. SCHUMER. Will the Senator yield?

Mr. NICKLES. I am happy to yield.

Mr. SCHUMER. I just asked a different hypothetical. The 28 is a number per year—obviously there would be some more; it is hard to believe it would be millions in the State of Oklahoma, when there are only 28 a year. My question is a different question.

I sympathize with what the Senator says, in terms of people having to sell a business to pay for the tax. That is a different issue. That deals with repeal.

Our amendment does not address repeal. It simply says, instead of lowering the rate from the top rate, which is for estates over \$3 million, from 55 percent to 45 percent, we lower it from 55 percent to 53 percent, still a lowering, because we have to make choices. We would rather help the family making \$80,000 send their kids to college.

How does the tax change deal with that?

Mr. NICKLES. I will reclaim my time. I am not waiting for my colleague to make a speech. I think it is absurd for someone to say: We are just going to reduce the rate to 53 percent; we are going to reduce the tax 2 percent for the upper end estates and, oh, sure, at end of that time we are going to repeal it. I don't think so. I don't think that is credible.

For someone to suggest we are still really for repeal but we are going to keep the rate at 53 percent, I do not think is credible. It is not going to happen.

Back to this idea of how many estates, you might say in 1 year there were 28 taxable estates above \$5 million, but I tell you there are thousands of estates that are subjected to this tax that are trying to avoid this tax, trying to minimize this tax; thousands in my State, millions in your State—millions? Surely a million. There are thousands in Northern Virginia. You don't have to go very far. You are talking about taxable estates around this area, if you look at high priced neighborhoods where the Government comes in: Oh, the Government is entitled to take half of that house or half of that property or half of that business because somebody passes away? What right does Government have to get 53 percent of somebody's estate? It is just absurd. It should be unconscionable.

I go back to our friend, who is not the most conservative Senator with whom we had the pleasure of serving, the Senator from Illinois, Carol Moseley-Braun. We agreed we should not tax estates more than we have on personal income tax. I believe President Clinton said the same thing. That rate is 39.6. The amendment of my colleague from New York says, let's keep it at 53. And 53 is too high. I urge my colleagues, if you think the amendment is laudable for the deduction of student loan interest, I may well agree with you but not at this offset, not to gut the estate tax, not when the estate tax is one of the pillars of this bill, both for this President and this Congress and the past Congress.

So let's not gut the bill. Let's find another way. Again, we are going to find out if people want to legislate or people want to try to defeat the bill. I urge my colleagues, work with some of us who want to see a bill enacted and signed into law. We will work to find a way to have greater student loan deductibility. We can do that. We can do

it with 60 votes. And you will not have half the Senate going berserk.

But I tell you this amendment, to gut the estate tax reduction, will not finally be successful. We are going to figure out a way to have a significant reduction in estate taxes. That is part of what a lot of us have been working on for decades. It is what we passed last year. We are going to get it done this year.

I urge my colleagues, let's find another offset. If we have to, let's defeat the Schumer amendment and then we can come back and do something more on student loan deductions without gutting the estate tax deduction we have in the present bill.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. SCHUMER. How much time is there on each side, Mr. President?

The PRESIDING OFFICER. Nine and a half minutes on this side and about 7 minutes on the Senator's side.

Mr. SCHUMER. Does the proponent of the amendment have the right to conclude?

The PRESIDING OFFICER. There is no such right.

Mr. SCHUMER. I would like to conclude.

Mr. BAUCUS. The Senator can ask unanimous consent that he have the last statement, whatever he wants to do.

Mr. SCHUMER. I ask unanimous consent I have the last word on this amendment, at least until the vote.

The PRESIDING OFFICER. Is there objection?

Mr. NICKLES. Reserving the right to object, what was the request?

The PRESIDING OFFICER. The Senator will restate his request.

Mr. SCHUMER. I simply asked—there are 9 minutes left on the opponents' side, 7 minutes for the proponent—unanimous consent I have the right to conclude.

Mr. NICKLES. I object.

The PRESIDING OFFICER. Objection is heard. Who yields time? Who yields to the Senator from New Hampshire?

Mr. GRASSLEY. I yield to the Senator from New Hampshire whatever time he might want right now.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. I ask unanimous consent to set aside this amendment, reserving the time in its present position, so I may call up my amendment and speak to it for 5 minutes and ask for the yeas and nays.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Reserving the right to object, I want the time to run on the amendment that is now here. We want to be able to vote now.

If the Senator from New Hampshire wants to set this aside and offer his amendment for 5 minutes and have the time count off those who oppose the Schumer amendment, that is fine. But otherwise I object.

Mr. GREGG. I withdraw my request. I don't want to prejudice either side as to their time, 9 minutes and 7 minutes that I know is going to be consumed with brilliance.

Mr. GRASSLEY. I suggest the absence of a quorum.

The PRESIDING OFFICER. Without objection, the request is withdrawn.

Mr. GRASSLEY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection?

Mr. GREGG. I object.

The PRESIDING OFFICER. Objection is heard.

The assistant legislative clerk continued the call of the roll.

Mr. REID. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection?

Mr. GREGG. I object.

The PRESIDING OFFICER. Objection is heard.

The assistant legislative clerk continued the call of the roll.

Mr. REID. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

Mr. GREGG. I object.

The PRESIDING OFFICER. Objection is heard.

The assistant legislative clerk continued the call of the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the pending amendment by Senator SCHUMER be laid aside and that a vote occur in relation to the amendment at 7:45 p.m. with no second-degree amendment in order prior to the vote. I further ask unanimous consent that the amendment be laid aside following the 5 minutes for Senator SCHUMER in order for Senator GREGG to offer an amendment and, following that time, the Gregg amendment be laid aside and Senator CARNAHAN be recognized to offer her amendment.

Mr. REID. Reserving the right to object, I think we have agreement, but in speaking to my friend from Oklahoma, it is my understanding that Senator SCHUMER's 5 minutes would be at 7:40, 5 minutes before the vote, the same amount of time.

Mr. NICKLES. I would ask that both sides would have 5 minutes prior to the vote.

Mr. REID. No problem.

Mr. KERRY. Reserving the right to object, may I ask: Is the Carnahan amendment under any kind of time agreement at this point? I ask the Senator from Iowa.

Mr. GRASSLEY. Under the rules, it would be 1 hour on each side on the Carnahan amendment.

Mr. REID. Mr. President, reserving the right to object, I didn't mean to interfere. Did the Senator from Massachusetts finish his reservation?

Mr. KERRY. The question has been answered.

Mr. REID. Mr. President, one thing that we want to accomplish, if Senator GREGG lays down his amendment, I hope we don't need his consent every time someone wants to offer an amendment. I don't think that is the intent of the Senator from New Hampshire.

Mr. GREGG. Mr. President, as I understand it, reserving the right to object, my amendment would then be the pending amendment. At some time I would have the right to return to my 2 hours of debate on the amendment, but I would not ask for consent for people to set it aside.

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Reserving the right to object, I don't think that is a tenable position for the committee to be in because any time we want to go to another amendment, the Senator from New Hampshire would have the right to object. I think it is all right, if we can agree to an agreement that the amendment of the Senator from New Hampshire could be next but not that it be laid aside in a manner where he could object to any subsequent amendment that might be offered.

Mr. GREGG. If the Senator would allow me to suggest, the way to resolve this would be to amend the unanimous consent request so that we could return to my amendment at some point during the furtherance of debate for a period of an hour equally divided, and then I would waive my rights that the Senator wishes to have waived.

(Mr. ALLEN assumed the chair.)

Mr. REID. Mr. President, speaking for someone who is not managing the bill, and with the consent of Senator BAUCUS, if the Republicans want to make that as one of their amendments, that would be fine. We have no problem with that. We believe the two managers should be managing the bill. If your side agrees you should be one of the next amendments, we have no problem with that.

Mr. BAUCUS. Reserving the right to object, Mr. President, if the Senator wants his amendment to be the next amendment under consent, that would be fine but not to be laid aside, which puts the Senator in the position to be able to object any time another amendment might arise.

Mr. REID. Reserving the right to object, we have no objection if the Senator wants a vote prior to the Carnahan amendment. The Republicans have a right to be next.

Mr. GREGG. I would like to get it in the queue, and I would like to be recognized for an hour at some point, and I don't have to have the preferential status in order to accomplish that. I

would be willing to work out a way to accomplish that.

Mr. NICKLES. Mr. President, I think we can agree to this and have the agreement be that the manager of the bill, Senator GRASSLEY, will determine in which order the amendment will be considered.

Mr. BAUCUS. Mr. President, reserving the right to object, I will object if the effect of the consent is that an objection can be raised to laying aside the Senator's amendment whenever a subsequent amendment might be offered.

Mr. NICKLES. Mr. President, might I suggest that the amendment be laid aside subject to recall by the manager of the bill, Senator GRASSLEY.

Mr. BAUCUS. Reserving the right to object.

Mr. NICKLES. Subject to the discretion of the two managers.

Mr. BAUCUS. Subject to the discretion of the two managers.

Mr. GREGG. We will have an opportunity to debate the amendment at some point?

Mr. BAUCUS. At some point, yes. Mr. President, reserving the right to object again, the Senator well knows the clock is ticking. He may not have the time to debate his amendment if he is at the end when the clock has finally ticked down.

Mr. GREGG. That is, quite obviously, my concern.

Mr. BAUCUS. Mr. President, I do not object, with the understanding that if the Senator wishes to bring up his amendment, it is in consultation with the Senator from Iowa as well as myself.

Mr. REID. Mr. President, if I could, I think it is the intention of everyone here that you would be one of the next Republican amendments in order.

Mr. GREGG. I take that representation from the Democratic leader that I would be the next Republican amendment in order, or one of them. Recognizing his credibility on that point, I will accept that.

The PRESIDING OFFICER. Is there objection to the request as modified?

Without objection, it is so ordered.

AMENDMENT NO. 656

Mr. GREGG. Mr. President, I send up my amendment No. 656.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from New Hampshire [Mr. GREGG], for himself, Mr. ENSIGN, Mr. ALLARD, Mr. KYL, Mr. BUNNING, and Mr. ALLEN, proposes an amendment numbered 656.

Mr. GREGG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To provide a temporary reduction in the maximum capital gains rate from 20 percent to 15 percent)

At the end of subtitle A of title VIII, add the following:

SEC. ____ TEMPORARY REDUCTION IN CAPITAL GAINS RATE.

(a) REDUCTION IN MAXIMUM RATE.—The following sections are each amended by striking “20 percent” and inserting “15 percent”:

- (1) Section 1(h)(1)(C).
- (2) Section 55(b)(3)(C).
- (3) Section 1445(e)(1).
- (4) The second sentence of section 7518(g)(6)(A).

(5) The second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936.

(b) TRANSITION RULES FOR TAXABLE YEARS WHICH INCLUDE JUNE 1, 2001.—For purposes of applying section 1(h) of the Internal Revenue Code of 1986 in the case of a taxable year which includes June 1, 2001—

(1) The amount of tax determined under subparagraph (B) of section 1(h)(1) of such Code shall be the sum of—

- (A) 10 percent of the lesser of—
 - (i) the net capital gain taking into account only gain or loss properly taken into account for the portion of the taxable year on or after such date (determined without regard to collectibles gain or loss, gain described in section 1(h)(6)(A)(i) of such Code, and section 1202 gain), or
 - (ii) the amount on which a tax is determined under such subparagraph (without regard to this subsection), plus
- (B) 10 percent of the excess (if any) of—
 - (i) the amount on which a tax is determined under such subparagraph (without regard to this subsection), over
 - (ii) the amount on which a tax is determined under subparagraph (A).

(2) The amount of tax determined under subparagraph (C) of section 1(h)(1) of such Code shall be the sum of—

- (A) 15 percent of the lesser of—
 - (i) the excess (if any) of the amount of net capital gain determined under subparagraph (A)(i) of paragraph (1) of this subsection over the amount on which a tax is determined under subparagraph (A) of paragraph (1) of this subsection, or
 - (ii) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), plus
- (B) 20 percent of the excess (if any) of—
 - (i) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), over
 - (ii) the amount on which a tax is determined under subparagraph (A) of this paragraph.

(3) For purposes of applying section 55(b)(3) of such Code, rules similar to the rules of paragraphs (1) and (2) of this subsection shall apply.

(4) In applying this subsection with respect to any pass-thru entity, the determination of when gains and loss are properly taken into account shall be made at the entity level.

(5) Terms used in this subsection which are also used in section 1(h) of such Code shall have the respective meanings that such terms have in such section.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to sales or exchanges made—

- (A) on or after June 1, 2001, and
- (B) in taxable years beginning before January 1, 2004.

(2) WITHHOLDING.—The amendment made by subsection (a)(3) shall apply to amounts paid on or after June 1, 2001.

Mr. GREGG. Mr. President, I offer this amendment on behalf of myself, Senators ENSIGN, ALLARD, KYL, and BUNNING.

This amendment is a capital gains cut over a 2½-year period. I think there has been a great deal of discussion

about the stimulus effect of this tax cut and whether or not this economy, which is beginning to slow, is going to be effectively boosted by the economic activity that will be generated by this tax cut.

Clearly, the frontloading of the \$85 billion in tax cut assistance into this year is going to be a very positive event. But a capital gains cut has been shown historically to be the most positive unlocker of the economic vitality and energy of the American economy. A capital gains cut frees up the capital of the marketplace that is being locked down because of people concerned about the cost of selling their assets—it frees up that capital to be reinvested in the marketplace and to multiply the economic activity of the country, and to create energy and therefore prosperity in the markets and in our country.

This sunsets effective December 31, 2003. The reason this is a 2½-year capital gains rate cut, from 20 percent to 15 percent, is because a 2½-year rate cut actually generates positive income to the Treasury. For those 2½ years, money will actually be flowing into the Treasury in a positive way. It is not a tax loser. It is not a revenue loser during that period.

In fact, historically, there is very strong evidence—specific evidence—that a capital gains cut is never a revenue loser for the Treasury and, in fact, always generates so much more economic activity than it does in lost revenue that the additional economic activity has historically generated more tax revenues than the revenues that might have been lost as a result of the rate cut.

So cutting the capital gains rate is a double winner. It will energize significant economic activity in the marketplace. Therefore, by unlocking assets that have been held down because people have been concerned about having to pay extraordinary taxes to free them up, it will allow people to then take those moneys and reinvest them into the economy, which means you will have more capital out there, more activity, more jobs, and more prosperity.

Secondly, it is a winner because it energizes revenue into the Federal Treasury. Therefore, it is positive for us as a Government because we will have those revenues to be used in order to benefit the citizenry through other activity of the Government, whether it happens to be other tax cuts which we can put in place, or ideas such as the one the Senator from New York is trying to pass at this time.

So this concept of a capital gains cut makes a great deal of sense, and the reason we have put it under a short timeframe, under a sunsetted provision, is to accomplish it in a way that absolutely guarantees that people are going to take advantage of this opportunity quickly. And that will immediately generate economic activity within the American economy.

So I appreciate the support of my fellow Senators, Senators ENSIGN, ALLARD, KYL, and BUNNING on this point. I understand we are going to be able to come back to this issue and debate it at some length.

At this time, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. GREGG. Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Nevada is recognized.

Mr. BAUCUS. Mr. President, I don't see any Senators who want to speak. We have an order that there will be a vote at 7:45.

Mr. GREGG. Will the Senator from Montana yield so I might add an additional cosponsor?

Mr. BAUCUS. Yes.

Mr. GREGG. I ask unanimous consent that Senator ALLEN be added as a cosponsor of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, the Senator from Missouri is on her way. She was just notified. She is in the order to offer the next amendment. In fairness and in an effort to move this along, I ask unanimous consent that the time during the quorum call run against her amendment, and I suggest the absence of a quorum.

The PRESIDING OFFICER. Without objection, it is so ordered. The time will be so charged. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. Mr. President, my fellow Senator from the State of Nevada wishes to speak on Senator GREGG's time, so the time is not running against Senator CARNAHAN.

The PRESIDING OFFICER. The Senator from Nevada, Mr. ENSIGN.

Mr. ENSIGN. Mr. President, I rise in strong support of the amendment offered by Senator GREGG to cut the capital gains tax rate from 20 percent to 15 percent. I truly believe of all of the economic stimulus that needs to happen through a tax cut, there is none more important that we can do as a Senate than to cut the capital gains tax rate from 20 percent to 15 percent and the lower rate from 10 percent to 8 percent.

If any of our colleagues had read the Wall Street Journal this Monday, not only was there an excellent op-ed by several authors that illustrated how much revenue would be produced if we cut the rates at which capital gains are taxed, but also on the front page of the Wall Street Journal there was an arti-

cle talking about the various States whose revenues are going to have serious shortfalls, including the State of California, simply because of the problems in the stock market.

The State of California probably is going to suffer worse than any other State because many of the high-tech companies in these States are paying in stock options. When those stock options are exercised, their employees actually pay ordinary income taxes. Those income taxes also usually have a State income tax, as is the case in California, and because the stock market has been depressed for the past 6 months, and it looks like for quite a bit of this year, none of these stock options is worth anything, so the employees cannot exercise the stock options. Therefore, States such as California are having serious budget shortfalls.

Not only to stimulate the economy is a capital gains tax rate reduction absolutely necessary, but it is also important to many of the States' budgets, including the Presiding Officer's home State, the State of Virginia, which has a similar problem. We can help State budgets not suffer serious shortfalls this year by cutting the rate on which capital gains are taxed.

I truly believe it is going to be an incredibly important tax cut for us to enact. Over 10 years it only scores, as far as what it will cost the Federal Government, about \$10 billion, and I believe, with all deference to the Joint Tax Committee, the bean counters over there who actually score these various provisions, historically if one looks at the economic activity that happens with a capital gains tax rate reduction, that \$10 billion it says is going to cost the Treasury, it is going to actually produce more revenue over the next 10 years than it costs the Treasury.

Cutting the rate at which capital gains are taxed is one of the most important things in the short term and in the long term. It makes no sense at all to even have a capital gains tax, and the least we can do is to cut the rate. Most industrialized countries around the world do not tax capital because they understand this simple formula, and I talk to high school students about this all the time. In order to have employees, there first have to be employers. Most people in America understand that. I am not sure how many in Congress do but most of the people in America get that.

In order to have employers, there first has to be capital. To tax the formation of capital hurts the ability to have employers, which hurts employees, thus hurting jobs in America or wherever capital is taxed. That is the reason we should someday eliminate the capital gains tax, but for sure we should at least decrease the rate to incentivize people to invest.

Investing creates jobs, and that is really what it is all about. If we want to stimulate the economy, this is the best thing to do.

I yield the floor and ask other Senators to support this critical amendment.

The PRESIDING OFFICER. I thank the Senator from Nevada.

The Senator from Nevada, Mr. REID.

Mr. REID. Senator CARNAHAN is now here and ready to proceed. Mr. President, I say to Senator CARNAHAN, at 7:35 p.m. the Parliamentarian will, if the Senator is still speaking, interrupt her because pursuant to the order there are 10 minutes prior to the 7:45 p.m. vote. The Senator has her hour.

The PRESIDING OFFICER. The Senator from Missouri, Mrs. CARNAHAN.

AMENDMENT NO. 674

Mrs. CARNAHAN. I thank the Chair.

Mr. President, Americans have clearly expressed that they want a tax cut, and I favor a tax cut as do all Democrats but one that benefits all Americans.

The focus of this tax cut debate has been on marginal rates, which are the tax rates paid on the final dollar of an individual or family's income.

One of the best provisions of the President's proposal and the tax cut constructed by the Finance Committee is the creation of a new 10-percent marginal rate that covers taxable income up to \$12,000 for couples. All income-tax payers receive a \$600 tax cut from this change in the law, whether they make \$50,000 or \$500,000.

I come to the Senate Chamber this evening, however, to correct a serious inequity in the bill before us. This bill contains a marginal rate cut for each group of income taxpayers but one: couples who have taxable income between \$12,000 and \$45,000. This omission is so glaring that it is worth reviewing precisely what this bill would do.

Couples with taxable income between \$45,000 and \$109,000 would get a marginal tax rate cut of 3 percent.

Couples with taxable income between \$109,000 and \$167,000 would get a marginal tax rate cut of 3 percent.

Couples with a taxable income between \$167,000 and \$297,000 would get a marginal tax rate cut of 3 percent.

Couples with a taxable income of over \$297,000 would get a marginal tax rate cut of 3.6 percent.

But couples with a taxable income between \$12,000 and \$45,000 would get absolutely no rate cut for the final dollars of income earned.

Who are these families who are singled out for virtually no tax cut in this bill? They have gross incomes of between \$30,000 and \$65,000. This is the heart of the American middle class. They are Americans who are working the late night shift at the factories, they are cops on the beat, and they are American moms and dads working two jobs to send their kids to college. They are family farmers waking up early to tend their chores.

Mr. President, 72 million American taxpayers pay a 15-percent tax on their last dollar of income; 1.7 million Missouri taxpayers fall into this category. This is 44 percent of all Missouri taxpayers. These are the folks who work

hard, play by the rules, struggle to make ends meet, but then get left out when it is time to get relief. They do not have high-priced lobbyists or groups running television commercials on their behalf. Why is it that they are passed over to give such large tax cuts to couples with taxable income over \$300,000? This is the forgotten American middle class.

The amendment I propose tonight on behalf of Senator DASCHLE and many of my colleagues would correct this oversight by cutting the 15 percent rate to 14 percent. This can be accomplished and still cut every other rate by 1 percent.

The top 1 percent of American taxpayers would still receive substantial tax relief under this amendment. On average, our wealthiest taxpayers would still receive a rate cut of \$9,000. But by adjusting the 15 percent bracket, we would be providing middle-class families \$332 in tax relief in addition to the \$600 cut from the creation of the 10-percent bracket.

Mr. President, Americans expect tax relief, but they also expect fundamental fairness. My amendment would make this bill fairer. I commend it to the Senate.

I send the amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Missouri [Mrs. CARNAHAN], for herself and Mr. DASCHLE, proposes an amendment numbered 674.

Mrs. CARNAHAN. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 9, strike lines 5 through 12 and insert the following:

“(2) REDUCTIONS IN RATES AFTER 2001.—

“(A) IN GENERAL.—Each rate of tax (other than the 10 percent rate) in the tables under subsections (a), (b), (c), (d), and (e) shall be reduced by 1 percentage point for taxable years beginning during a calendar year after the trigger year.

“(B) TRIGGER YEAR.—For purposes of subparagraph (A), the trigger year is—

“(i) 2002, in the case of the 15 percent rate,

“(ii) 2003, in the case of the 28 percent rate,

“(iii) 2004, in the case of the 31 percent rate,

“(iv) 2005, in the case of the 36 percent rate, and

“(v) 2006, in the case of the 39.6 percent rate.

“(3) ADJUSTMENT OF TABLES.—The Secretary”.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, the main point I make is those who say this bill does not give any relief to those in the 15-percent bracket have not read the bill: That is, the argument that the 15-percent statutory rate should be reduced to 14 percent; otherwise nobody in the 15-percent bracket benefits. They say the taxpayers in the 15-percent rate bracket are shorted be-

cause the statutory rate itself is not reduced as in this amendment from 15 to 14 percent. This argument fails to take into consideration the benefits in this bill that are given to the 15-percent taxpayers.

Simple math will show how wrong they are. This 1-percent decrease in the 15-percent rate is less than a 7-percent reduction of the rate itself. It is simple. Just divide 1 percent by 15 percent and come up with the 7-percent reduction I stated.

In contrast, and to show there is a reduction in taxes for people in the 15-percent rate, the Joint Tax Committee of the Congress—remember, these are the professionals who are nonpartisan; they are advising Republicans and Democrats alike—say the bill before the Senate provides between 9 percent for some in the 15-percent bracket and 33 percent of relief for the 15-percent bracket taxpayer.

It happens that taxpayers in the lower end of the 15-percent bracket received the greatest reduction. That would be 33 percent; those at the upper end received the 9-percent reduction.

Of course, this relief is created by the various benefits in the bill targeted toward taxpayers falling within the 15-percent rate bracket. Look at the choice. The amendment on the other side provides a 7-percent decrease. Our bill provides 9 percent to 33 percent of relief.

This ought to seem like a very simple decision unless you take the position that we can still do more. Their amendment provides a mere thimbleful of tax relief for 15-percent taxpayers. Their amendment creates a smoke-screen to try to fool these Americans into believing they are getting substantial tax relief.

Under our across-the-board tax relief package, everyone gets substantial tax relief. No one is left behind. The average benefit is a 9-percent reduction in tax burdens. Those at the lower end income levels get far more than 9 percent. Senator BAUCUS has said 75 percent of the benefits go to taxpayers making less than \$75,000. These are reasons why I hope Members will vote against this amendment.

I suggest the absence of a quorum and ask the time be applied equally to both sides.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. Mr. President, I yield myself such time as I may consume from the bill.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I will address another matter while we are

waiting for Senator SCHUMER and Senator NICKLES to speak with respect to the Schumer amendment. That will begin in about 8 minutes. I will make remarks about another part of this bill, the provisions of the bill comprising title XI, the pension provisions.

First, some background. The American people, we all know, have many wonderful qualities but one of them, unfortunately, is not personal savings. People in other countries save more personally than do Americans. It is a concern many Members have. A lot of Members want to use the Code to encourage personal savings, and many provisions do so. During the last 20 years, personal savings rates in our country have consistently declined from a peak of under 11 percent of gross domestic product in the 1970s and the 1980s to zero or negative today.

Why does this matter? A low savings rate means people are not putting their own money away for retirement. Social Security is helpful. We have other private savings provisions such as IRA accounts which are helpful, but the third leg of the retirement stool is pensions. The more people have in pensions that they can rely on for retirement, the more it will help. That means, importantly, less dependency on Social Security, which many Americans are too dependent upon.

Sixteen percent of today's retirees rely exclusively on Social Security benefits for their retirement income. Two-thirds of all retirees today rely on Social Security for over one-half of their retirement income, yet Social Security only replaces an average of 40 percent of a worker's income because the program was never designed to be a retiree's sole source of support. Retirees continue to rely so heavily on Social Security there will still be far too many Americans spending their retirement years one step away from poverty.

On top of that, a low savings rate means less capital is available for new investment.

America will continue to grow more if we have capital available for investment. That is not only physical capital, it is human capital. Increased capital for investment is an essential element to our international competitiveness. Particularly now, at a critical time, where economic growth is slowing down a bit, something we want desperately to turn around, helping more Americans to save for their retirement would be a long-term economic stimulus for our country.

Mr. President, I will have further remarks. I understand the minority leader is on the floor now and would like to speak on the amendment offered by the good Senator from Missouri. So I yield the floor.

The PRESIDING OFFICER. The Democratic leader, Mr. DASCHLE.

Mr. DASCHLE. I thank the ranking member for yielding. Let me inquire of the Chair how much time remains under the unanimous consent agreement?

The PRESIDING OFFICER. The Senator from Missouri has 51 minutes remaining on her amendment. However, the amendment will be set aside at 7:35 for the Schumer amendment.

Mr. DASCHLE. I thank the Chair.

Mr. REID. Mr. President, if the Senator from South Dakota, the leader, wishes 10 minutes or so I am sure we can put the vote off for however much time the Senator needs.

Mr. DASCHLE. I thank my dear friend for his willingness to accommodate. I think others have probably made decisions with regard to schedule. I do not want to adversely affect their schedules. I will accommodate the unanimous consent agreement and just take a couple of minutes now. We can come back to the debate following the vote on the Schumer amendment.

Mr. President, I do not know if this chart has been used so far in the debate, but this chart really says it all. There are 72 million middle-class taxpayers who have been skipped over in this bill. Of all the problems many of us have with regard to this particular bill other than its overall size, I think it is this.

There is no rate cut for those who fall in the income brackets of most Americans. I know in South Dakota this represents about 90 percent of the people in my State. From \$12,000 to \$45,000 net, \$12,000 to \$65,000 gross, there is no rate cut. There is a rate cut in the sense we establish a new rate, cut from 15 percent to 10 percent, and that 10 percent goes into effect. But it is for all of these different categories, the different rates that we have in our income tax schedule today.

Everybody gets the value of that new 10 percent rate. The only people who do not get anything beyond that are those who fall in this income category, \$12,000 to \$45,000. That is the largest single group of income taxpayers in the country.

I applaud the distinguished Senator from Missouri for her amendment and thank her for offering it because I think she provides the fix for what is one of the most glaring inequities in the entire tax bill that is before us. What she simply says is, let's give those who fall into this rate a tax cut like everybody else. Let's reduce their taxes from 15 percent to 14 percent. And to pay for it we will accommodate all of the other cuts as well. But we will reduce all of those rates by 1 percent. We will reduce the top rate by 1 percent, we will reduce the second rate by 1 percent, the third and fourth rate by 1 percent, but everybody then gets a rate cut of 1 percent.

I think it was President Bush who said there ought to be no winners and losers here. You have real losers under this bill as it is currently written.

What we are trying to say is, if you really mean what you say about not having winners and losers, why in the world would you leave out the 15-percent rate taxpayers? The Senator from Missouri makes an excellent point. I

think, on a bipartisan basis, overwhelmingly, Republicans and Democrats would want to fix this Achilles' heel in the bill.

There is a lot of fixing that needs to be done. But if you are going to start at the top, at least you would want to say we cannot accept this. We cannot tell 72 million Americans they are not going to get a rate cut like everybody else. We are not going to say to 72 million Americans, you get zero rate cut, but when you are up here you get a 3 or maybe even a 4 or 5 percent rate cut, if some of our colleagues have their way. How does that make sense?

That is really the essence of the whole approach to this amendment. I know my time has expired. I yield the floor for now.

AMENDMENT NO. 669

The PRESIDING OFFICER. I advise the Senate that under the previous order, there are 5 minutes reserved to each side for final remarks on the Schumer amendment.

Who yields time?

Mr. BAUCUS. I ask the Chair, under the consent agreement, is there any provision as to whether the Senator from New York or the Senator from Oklahoma go first?

The PRESIDING OFFICER. There is none, I say to the Senator from Montana.

Mr. BAUCUS. I yield the floor.

The PRESIDING OFFICER. The Senator from New York, Mr. SCHUMER.

Mr. SCHUMER. Mr. President, I thank my colleagues for what was an excellent and spirited debate.

This amendment is simple. Let's reiterate just what it does. It allows all families whose incomes go up to \$130,000 to deduct up to \$12,000 of their tuition costs. It is revenue neutral because it takes an offset from the highest rate of the estate tax, which under the bill goes down from 55 percent to 45 percent and instead makes it go from 55 percent to 53 percent.

My colleagues, I make two points here. First, this is desperately needed by middle class families. American families who make \$40,000 or \$50,000 or \$60,000 are up late at night, talking about how they are going to pay for their kid's college. They know college education is essential to their kid's future. Yet they do not know how they are going to pay for it.

As a result of the high cost of tuition, which is escalating quicker than any cost in America, millions of young American men and women do not go to college who could, or they go to the junior college instead of the 4-year college for which they are qualified. They downgrade. That hurts them, that hurts their families, and that hurts America.

I haven't heard much debate on the other side about this being a bad idea. In fact, the Senator from Oklahoma and the Senator from Arizona had the good grace to say it is a good idea. But they say it destroys the estate tax.

Hogwash. All it does is this: It keeps the same date for the repeal of the es-

tate tax as in the bill, 2011. If the people on the other side were so eager to get the estate tax taken down, they could have done it earlier. They did not. We leave that decision to them.

All it does, very simply, is lower the top rate, which is paid only by estates of \$3 million. In every one of our States, with perhaps the exception of mine and California, there is no more than a handful of people who are affected—in mine it is a little more than a handful each year—and it lowers their rate. We are not raising any rate. But it doesn't lower it as much as was done in the bill.

This is an issue of choice. It is not a choice whether or not to repeal the estate tax. Anyone who says that is misstating this amendment, probably by design. It is, rather, a choice of who needs more help. The heir of an estate worth at least \$3 million—and it has nothing to do with whether you can sell the business or not because whether you tax it at 45 percent, 53 percent, or 55 percent, that is such a high rate that you will have to sell the business at one rate as well as the other. But it says to that estate, only over \$3 million, a handful in each State, that your tax reduction is not going to be quite as great as in the proposal.

Choice. Who do you stand with, my colleagues? The middle class family who gets very little relief on the rate, who has to pay \$10,000 or \$15,000 for their children's college education or the estate worth more than \$3 million in terms of getting a greater reduction rather than a lesser reduction?

It is a choice. With whom are you standing? It is not a debate on eliminating the estate tax. That is the only argument we heard from the other side—with good reason. Because when they debate the amendment, there is no good argument.

Repeal of the estate tax is popular. It is done in the bill. Making college tuition tax deductible is also popular. A portion of it is done in the bill but a rather small portion. This amendment makes college tuition deductible for middle-class families.

In conclusion, I say to my colleagues in this Chamber, we tend to do a lot for the rich. They have influence, and they run businesses, and those are important for America. We also do a lot for the poor, maybe not enough in some of our opinions, but we do a lot because they need help.

The people we do virtually nothing for—or too little for—are the people who make \$40,000, \$50,000, \$60,000, \$70,000. They do not ask for much. But the one thing they are asking us for is not even a 3-percent or 4-percent reduction in their tax rate. They are asking us to help them put their kids through college. The choice is every one of ours. We can do that right now.

The PRESIDING OFFICER. The Senator's time has expired.

The Senator from Iowa.

Mr. GRASSLEY. I will yield myself such time as I consume, and the remainder of the time I will yield to the Senator from Arizona.

The Schumer amendment, as I said so many times, fractures the spirit of the bipartisan compromise that occurred in the Senate Finance Committee, which is the reason we can be here doing things in the tradition of the Finance Committee in a bipartisan way.

Of course, Senator SCHUMER has no interest in this bipartisan agreement. It is curious that Senator SCHUMER would want to work so hard in offering an amendment to improve, in his mind, a bill he is going to end up voting against.

Senator SCHUMER's amendment guarantees that the Federal Government gets to take over 50 percent of the assets a parent wants to pass on to a child. That does not sound like taxation; that sounds like confiscation to me.

Senator SCHUMER claims that his amendment improves the education components in this bill, but in fact the bill's underlying education provisions are sound. Student loan interest deduction, prepaid tuition plans, employer-provided educational assistance, an increase in the education IRA—these are all important measures that will improve access to education.

Senator SCHUMER's amendment will undo a very delicate compromise upon which these provisions rest. It is unwise, it is destructive, and it also should be defeated.

I yield to the Senator from Arizona.

The PRESIDING OFFICER. The Senator from Arizona has 2 minutes, 50 seconds.

Mr. KYL. Thank you, Mr. President.

Let me correct a couple things the Senator from New York said earlier. To be accurate, the Senator from New York said his rate kicked in for estates of \$3 million. The truth is that according to section 2001 of the IRS Code, his amendment would affect the estates if they were one penny over \$2.5 million.

The committee had testimony from a variety of witnesses to talk about what \$2.5 million was. A grocer from Duncan, OK, talked about why the independent grocers support the rate relief in our bill—because it takes over \$3 million just to put together the average-size grocery store. So when he dies, that estate is going to be denied relief because of the amendment of the Senator from New York.

There is already, as we said before, \$33 billion in this bill. By the way, I was in error because I said it was \$10 or \$11 billion. There is already \$33 billion of relief for education in the bill. This amendment would add an additional \$37 billion.

We do not need to pit one group against the other. In fact, the bill is delicately balanced because we have relief for education and for those small businessmen and farms that would benefit from the rate reduction we provide for in the estate tax.

The bottom line here is, we are not just talking about 32 such estates or some number such as that. In my own State of Arizona, according to the Internal Revenue Service statistics for 1998, there are over 250 estates that would be adversely affected by this. In the State of New York, I counted up over 900. The number may be quite a bit higher than that.

So we are talking about a significant number of estates that are over \$2.5 million that would be denied the rate relief because of the amendment of the Senator from New York.

The bottom line is this: We tried to put a bill together that was fair. Most Americans believe that nobody should have to pay more than 50 percent in a tax rate. In fact, if you ask them, most of them say the highest rate anybody should pay is 25 percent. We tried to bring the estate tax—the highest rate of which, because of a bubble effect, is at about 60 percent—down to 45 percent. That is at least below 50 percent.

No, the Senator from New York says we can't give that kind of relief; we are going to hold the rate at 53 percent.

It is all about fairness. I urge my colleagues to vote against the Schumer amendment, to follow the advice of the committee, which gives relief both for education and for these small businesses that would get modest rate relief under our bill. If we do that, then I think we will be fair to everybody. If we do not do that, we are hurting one group of Americans in order to try to help a different group of Americans. That is not what this bill is all about. That is not what we should be all about.

I urge my Senate colleagues to reject the amendment.

The PRESIDING OFFICER. All time has expired.

The question now is on agreeing to the Schumer amendment No. 669. The yeas and nays have been ordered.

The clerk will please call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Kentucky (Mr. BUNNING) is necessarily absent.

Mr. REID. I announce that the Senator from Wisconsin (Mr. KOHL) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 43, nays 55, as follows:

[Rollcall Vote No. 114 Leg.]

YEAS—43

Akaka	Dodd	Lieberman
Bayh	Dorgan	Mikulski
Biden	Durbin	Murray
Bingaman	Edwards	Nelson (FL)
Boxer	Feingold	Reed
Breaux	Feinstein	Reid
Byrd	Graham	Rockefeller
Cantwell	Harkin	Sarbanes
Carnahan	Hollings	Schumer
Carper	Inouye	Snowe
Clinton	Johnson	Stabenow
Conrad	Kennedy	Torricelli
Corzine	Kerry	Wellstone
Daschle	Leahy	
Dayton	Levin	

NAYS—55

Allard	Frist	Murkowski
Allen	Gramm	Nelson (NE)
Baucus	Grassley	Nickles
Bennett	Gregg	Roberts
Bond	Hagel	Santorum
Brownback	Hatch	Sessions
Burns	Helms	Shelby
Campbell	Hutchinson	Smith (NH)
Chafee	Hutchison	Smith (OR)
Cleland	Inhofe	Specter
Cochran	Jeffords	Stevens
Collins	Kyl	Thomas
Craig	Landrieu	Thompson
Crapo	Lincoln	Thurmond
DeWine	Lott	Voinovich
Domenici	Lugar	Warner
Ensign	McCaIn	Wyden
Enzi	McConnell	
Fitzgerald	Miller	

NOT VOTING—2

Bunning Kohl

The amendment (No. 669) was rejected.

Mr. GRASSLEY. I move to reconsider the vote.

Mr. GRAMM. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. REID. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. LOTT. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LOTT. Mr. President, Senator DASCHLE, Senator REID, Senator NICKLES, the managers, and I have been working to try to come up with an agreed to process to complete action for tonight and complete action on this legislation by the close of business on Monday. I think we have come to an agreement on a very fair proposal.

I ask unanimous consent that when the Senate resumes consideration of the reconciliation bill at 9:30 on Monday, there be 6 hours equally divided for amendment debate and 2 hours equally divided between each leader or designee for general debate and closing remarks. I further ask consent all remaining first-degree amendments be limited to 1 hour instead of the 2 we had been having, and second-degree amendments be limited to 30 minutes. I further ask consent that a vote occur in relation to the Carnahan amendment beginning at 6 p.m. on Monday, that no second-degree amendments be in order, and there be 2 minutes for explanation prior to the vote. I further ask consent when the Senate resumes consideration of the bill on Monday, the Senate immediately resume consideration of the Gregg amendment numbered 656.

The PRESIDING OFFICER. Is there objection?

Mr. REID. Reserving the right to object.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. It is my understanding that amendment and the rest of the

amendments will have 1 hour rather than the regular half hour.

Mr. LOTT. That is right, one; so there will be 30 minutes on each side. The 1 hour is equally divided. I also note that we will continue tonight—but with this agreement, the vote we just had would be the final vote—and we go to the following amendments: Collins for 30 minutes; Carnahan for 20 minutes; Rockefeller for 30 minutes; Bayh for 30 minutes; and Harkin for 30 minutes, if they wish to come and offer their amendments.

The PRESIDING OFFICER. Is there objection?

Mr. DASCHLE. Reserving the right to object, Senator LANDRIEU would like to be added to those offering an amendment tonight.

Mr. LOTT. Senator HATCH has an amendment to do tonight.

Mr. HATCH. Next, if I can, on tax credit. I will wait until Monday.

Mr. DASCHLE. Mr. President, is it the understanding of the Chair the amendments would be laid aside as they are offered, then, on Monday, and tonight, and that the votes happen in the sequence in which they were offered, tonight and Monday?

Mr. LOTT. Mr. President, I believe that is the intent; they would be laid aside and voted in sequence in the order they are offered. And Senator LANDRIEU is added to the list for tonight, 30 minutes.

Mr. DASCHLE. If the majority leader could repeat the list.

Mr. LOTT. After we get this agreement, we can continue tonight. The amendments we have arranged tonight are Collins, 30 minutes; Carnahan, 20 minutes; Rockefeller for 30 minutes; Bayh for 30 minutes; Harkin for 30 minutes; Landrieu for 30 minutes; and Senator GRAHAM tonight also for 30 minutes after Senator LANDRIEU.

I ask unanimous consent Senator HATCH be the next Republican amendment on Monday after the Gregg amendment. So it is the Gregg amendment, a Democrat amendment, and then Senator HATCH.

Mr. WELLSTONE. Reserving the right to object, I wonder if I could be locked in.

Mr. DASCHLE. I was going to ask consent that Senator WELLSTONE follow the Gregg amendment on Monday.

Mr. LOTT. So I amend the agreement, and I am sure we will get all this straight momentarily, that the Wellstone amendment comes after the Gregg amendment, and that is followed by Hatch on Monday.

The PRESIDING OFFICER. Is there objection?

Mr. BYRD. Reserving the right to object, if we are listing amendments, I would like to be on the list for an amendment before we complete action on the bill, with 30 minutes.

Mr. DASCHLE. I ask that we amend the request to include Senator BYRD and Senator DODD.

Mr. LOTT. I certainly amend the request to that extent. Let me say to all

of our colleagues, we are not closing up shop. Members will have an opportunity to offer these amendments Monday at a time that hopefully will be convenient. Senator BYRD will be added to the list, I believe, after Senator HATCH, if that is what he is asking, but I don't think Members will be excluded if they are not on the list now.

Are the managers around?

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. I know we will not be excluded, but I want to make sure I have 30 minutes.

Mr. LOTT. You have it.

Mr. DODD. Reserving the right to object, I ask for 30 minutes on Monday.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. LOTT. Mr. President, if we could get this agreement entered into, we have additional time that Senators have, thankfully, agreed to for tonight.

Let's get the manager and look at the time and get with the Senators and get this order lined up. I know Senator BAUCUS and Senator GRASSLEY will find a way to accommodate the Senators who want to offer amendments. We need to have some flow in terms of getting amendments on this side among the others. If we get this agreement, we will ask Senator REID and Senator NICKLES to work with these other Senators to make sure Senators are on the list.

The PRESIDING OFFICER. Is there objection?

Mr. DORGAN. Reserving the right to object, I observe to the majority leader the reason for the anxiety is we are bringing this bill to the floor under reconciliation. As the majority leader knows, reconciliation limits the amount of time for debate. So there are many people on this side of the aisle who have amendments and want to have the amendments offered and debated. I think that is why hands are being raised requesting time. If this were not brought under reconciliation we would not have to do that. Every Senator would have the right to offer an amendment and the right to have it debated. I ask I be put in the lineup for Monday for 30 minutes.

Mr. LOTT. Mr. President, I want to make sure we have this list lined up. I would like to have the managers work with us on this. I feel uncomfortable trying to arrange all the amendments. But a request has been made we put Senator DORGAN on that list for Monday. I think we need to see if there is a Republican amendment to come after Senator BYRD before Senator DORGAN. We will continue to alternate.

Senator DODD, we will accept him now and be done with it. Senator DODD will be on the list.

Mr. GRAHAM. I request 30 minutes on Monday.

Mr. LOTT. I believe your request was for tonight.

Mr. GRAHAM. Tonight, and I also ask for 30 minutes on Monday.

Mr. KERRY. Reserving the right to object, before colleagues get a second

bite of the apple, some Members would like a first. I ask unanimous consent to be added to the order. I think it would be fair for colleagues who have not had a first bite, before others get second bites of the apple.

Mr. DASCHLE. For the information of Democratic Senators the order Monday includes Senators WELLSTONE, BYRD, DODD, DORGAN, and KERRY.

The PRESIDING OFFICER. The Chair advises the Parliamentarian has Senator GRAHAM today and Monday.

Mr. DORGAN. Mr. President, might I inquire, the list that was just read, are those 30-minute amendments?

Mr. DASCHLE. That is correct.

Mr. LOTT. It is 30 unless you would like to have less.

Ms. LANDRIEU. Could the majority leader clarify the order for us tonight?

Mr. LOTT. Senators COLLINS, CARNAHAN, ROCKEFELLER, BAYH, HARKIN, LANDRIEU, and GRAHAM if offered.

The PRESIDING OFFICER. Is there objection to the order as modified?

Without objection, it is so ordered.

Mr. LOTT. In light of that agreement, then, as enjoyable as it was—

Mr. DASCHLE. Will the majority leader yield?

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. Senator GRAHAM was kind enough not to demand that he be put into the list on Monday. He would like to have the opportunity to offer two tonight. I assume if he is willing to wait, he can offer both of them back to back. He is the last in order.

Mr. LOTT. I don't see any problem with that. That will be fine. And I would like the managers to come back and take it from here.

The PRESIDING OFFICER. Without objection, it is so ordered.

The majority leader.

Mr. LOTT. In light of this agreement, there will be no further votes this evening. There will be 8 hours remaining for debate on the reconciliation bill during Monday's session. A series of votes is anticipated at 6 p.m. on Monday. The last in the series will be final passage. Senators should make their plans accordingly.

I thank all for their cooperation.

The PRESIDING OFFICER. Under the previous order, the pending amendment is set aside and the Senator from Maine is recognized.

AMENDMENT NO. 675

Ms. COLLINS. Mr. President, on behalf of myself and Senator WARNER, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Maine [Ms. COLLINS] for herself and Mr. WARNER, Mr. COCHRAN, Ms. LANDRIEU, Mr. ALLEN, Mr. SMITH of Oregon, Mr. HARKIN, Ms. MIKULSKI, Mr. REED, and Mr. HUTCHINSON, proposes an amendment numbered 675.

Ms. COLLINS. I ask unanimous consent the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title IV, add the following:

Subtitle E—Miscellaneous Education Provisions

SEC. 441. SHORT TITLE.

This subtitle may be cited as the “Teacher Relief Act of 2001”.

SEC. 442. ABOVE-THE-LINE DEDUCTION FOR QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals), as amended by section 431(a), is amended by redesignating section 223 as section 224 and by inserting after section 222 the following new section:

“SEC. 223. QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.

“(a) ALLOWANCE OF DEDUCTION.—In the case of an eligible educator, there shall be allowed as a deduction an amount equal to the qualified professional development expenses paid or incurred by the taxpayer during the taxable year.

“(b) MAXIMUM DEDUCTION.—The deduction allowed under subsection (a) for any taxable year shall not exceed \$500.

“(c) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELIGIBLE EDUCATORS.—For purposes of this section—

“(1) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—

“(A) IN GENERAL.—The term ‘qualified professional development expenses’ means expenses for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction.

“(B) QUALIFIED COURSE OF INSTRUCTION.—The term ‘qualified course of instruction’ means a course of instruction which—

“(i) is—

“(I) directly related to the curriculum and academic subjects in which an eligible educator provides instruction,

“(II) designed to enhance the ability of an eligible educator to understand and use State standards for the academic subjects in which such educator provides instruction,

“(III) designed to provide instruction in how to teach children with different learning styles, particularly children with disabilities and children with special learning needs (including children who are gifted and talented), or

“(IV) designed to provide instruction in how best to discipline children in the classroom and identify early and appropriate interventions to help children described in subclause (III) to learn,

“(ii) is tied to—

“(I) challenging State or local content standards and student performance standards, or

“(II) strategies and programs that demonstrate effectiveness in increasing student academic achievement and student performance, or substantially increasing the knowledge and teaching skills of an eligible educator,

“(iii) is of sufficient intensity and duration to have a positive and lasting impact on the performance of an eligible educator in the classroom (which shall not include 1-day or short-term workshops and conferences), except that this clause shall not apply to an activity if such activity is 1 component described in a long-term comprehensive professional development plan established by an eligible educator and the educator’s supervisor based upon an assessment of the needs of the educator, the students of the educator,

and the local educational agency involved, and

“(iv) is part of a program of professional development which is approved and certified by the appropriate local educational agency as furthering the goals of the preceding clauses.

“(C) LOCAL EDUCATIONAL AGENCY.—The term ‘local educational agency’ has the meaning given such term by section 14101 of the Elementary and Secondary Education Act of 1965, as in effect on the date of the enactment of this section.

“(2) ELIGIBLE EDUCATOR.—

“(A) IN GENERAL.—The term ‘eligible educator’ means an individual who is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in an elementary or secondary school for at least 900 hours during a school year.

“(B) ELEMENTARY OR SECONDARY SCHOOL.—The terms ‘elementary school’ and ‘secondary school’ have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as so in effect.

“(d) DENIAL OF DOUBLE BENEFIT.—

“(1) IN GENERAL.—No other deduction or credit shall be allowed under this chapter for any amount taken into account for which a deduction is allowed under this section.

“(2) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified professional development expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135, 529(c)(1), or 530(d)(2) for the taxable year.”

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a), as amended by section 431(b), is amended by inserting after paragraph (18) the following new paragraph:

“(19) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—The deduction allowed by section 223.”

(c) CONFORMING AMENDMENTS.—

(1) Sections 86(b)(2), 135(c)(4), 137(b)(3), and 219(g)(3) are each amended by inserting “223,” after “221.”

(2) Section 221(b)(2)(C) is amended by inserting “223,” before “911”.

(3) Section 469(i)(3)(E) is amended by striking “and 221” and inserting “, 221, and 223”.

(4) The table of sections for part VII of subchapter B of chapter 1, as amended by section 431(c), is amended by striking the item relating to section 223 and inserting the following new items:

“Sec. 223. Qualified professional development expenses.

“Sec. 224. Cross reference.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 442. CREDIT TO ELEMENTARY AND SECONDARY SCHOOL TEACHERS WHO PROVIDE CLASSROOM MATERIALS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to other credits) is amended by adding at the end the following new section:

“SEC. 30B. CREDIT TO ELEMENTARY AND SECONDARY SCHOOL TEACHERS WHO PROVIDE CLASSROOM MATERIALS.

“(a) ALLOWANCE OF CREDIT.—In the case of an eligible educator, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 50 percent of the qualified elementary and secondary education expenses which are paid or incurred by the taxpayer during such taxable year.

“(b) MAXIMUM CREDIT.—The credit allowed by subsection (a) for any taxable year shall not exceed \$250.

“(c) DEFINITIONS.—

“(1) ELIGIBLE EDUCATOR.—The term ‘eligible educator’ has the same meaning given such term in section 223(c).

“(2) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—The term ‘qualified elementary and secondary education expenses’ means expenses for books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by an eligible educator in the classroom.

“(3) ELEMENTARY OR SECONDARY SCHOOL.—The term ‘elementary or secondary school’ means any school which provides elementary education or secondary education (through grade 12), as determined under State law.

“(d) SPECIAL RULES.—

“(1) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this chapter for any expense for which credit is allowed under this section.

“(2) APPLICATION WITH OTHER CREDITS.—The credit allowable under subsection (a) for any taxable year shall not exceed the excess (if any) of—

“(A) the regular tax for the taxable year, reduced by the sum of the credits allowable under subpart A and the preceding sections of this subpart, over

“(B) the tentative minimum tax for the taxable year.

“(e) ELECTION TO HAVE CREDIT NOT APPLY.—A taxpayer may elect to have this section not apply for any taxable year.”

(b) CLERICAL AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 30B. Credit to elementary and secondary school teachers who provide classroom materials.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Ms. COLLINS. Mr. President, I also take this opportunity to ask that the yeas and nays be ordered on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Ms. COLLINS. Mr. President, may I have order, please?

The PRESIDING OFFICER. The Senate will please come to order.

Ms. COLLINS. Mr. President, I rise this evening with my good friend, the distinguished senior Senator from Virginia, Mr. WARNER, to offer an amendment providing tax relief to our Nation’s teachers. We are very pleased to be joined by several cosponsors including Senators COCHRAN, LANDRIEU, ALLEN, HARKIN, REED, GORDON SMITH, MIKULSKI, HUTCHINSON, and DODD.

It would be difficult to script a more appropriate time for us to offer this important amendment. We stand now at the intersection of two debates, one on a bill to modernize and reauthorize the law that will define the Federal Government’s role over the next 7 years in educating our Nation’s children, the other a landmark tax relief bill of which we are beginning consideration today.

Our amendment joins some of the best elements of each. It is good both for tax policy and for education policy.

In the midst of the education and tax debates, we are asking our colleagues in the Senate now to overlook the selfless efforts of teachers and the financial sacrifices they make to improve their instructional skills and the classrooms in which they teach.

Senator WARNER deserves enormous credit for focusing the Senate's attention, through a sense-of-the-Senate resolution to the education bill, on the need to provide tax relief for our teachers.

Our teachers serve such a critical role in the education and the development of our children. This amendment, the amendment Senator WARNER offered to the education bill, expressed the sense of the Senate that the Congress should pass legislation providing teachers with tax relief in recognition of the many out-of-pocket, unreimbursed expenses they incur to improve the education of our children.

The amendment we offer tonight is the legislation Senator WARNER's sense-of-the-Senate resolution contemplated, and which I was proud to cosponsor. It earlier passed by a vote of 95-3.

Our proposal is targeted to support the expenditures of teachers who strive for excellence beyond the constraints of what their schools can provide. Our amendment enjoys the bipartisan support of several of our colleagues, as well as the endorsement of the National Education Association and the American Association of School Administrators.

Let me briefly describe the provisions of our amendment. First, it would allow teachers, teacher's aides, principals, and counselors to take an above-the-line tax deduction for their professional development expenses.

Second, the bill would grant educators a tax credit of up to \$250 for books, supplies, and equipment they purchase for their students. The tax credit would be established at 50 percent of such expenditures, so for every dollar in supplies a teacher spent, the teacher would receive 50 cents of tax relief.

According to a study by the National Education Association, the average public school teacher spends more than \$400 annually on classroom materials. This sacrifice is typical of the dedication of so many of our teachers to their students. Oftentimes, teachers in Maine and throughout the country spend their own money, even though they are paid very limited salaries, because they want to improve the classroom experience for their students.

Recently I met with one such teacher, Idella Harter, the president of the Maine Education Association. She told me of the many books, supplies, rewards for student behavior, and other materials she just routinely purchases for her classrooms. One year, Idella Harter decided to save all of her receipts for these purchases. She started adding up the total, and she was startled to discover that it exceeded \$1,000.

At that point, she decided to stop counting. But it is indicative of the kind of selfless financial sacrifice so many of our teachers make.

Idella Harter is not alone. Maureen Marshall, who serves in my office as my education policy adviser, taught public schools for 8 years in Hawaii and Virginia. In her first year as a teacher, she spent well over \$1,000 of her own money on educational software, books, pocket charts, and other materials. Yet because of her tax situation, she could not deduct these expenses from her taxable income.

When we help our Nation's teachers, the ultimate beneficiaries are their students. Other than an involved parent, a well-qualified teacher is the single most critical element to predict a student's success. Educational researchers have demonstrated time and again the close relationship between highly qualified teachers and successful students.

Moreover, educators themselves understand just how important professional development is to maintaining and extending their levels of competence. When I meet with teachers from Maine, they repeatedly tell me of their need for more professional development. Yet there is a scarcity of financial support for this worthy pursuit.

I greatly admire the many educators who have voluntarily reached deep into their pockets to pay for additional training and course work for themselves, and also to finance additional supplies and materials for their students. By enacting these modest changes to our Tax Code, we can encourage educators to continue to take the formal course work in the subject matter which they teach and to avail themselves of other professional development opportunities.

The relief that our Tax Code now provides to teachers is simply not sufficient. By and large, most teachers do not benefit from the current provisions that allow for limited deductibility of professional development and classroom expenses. A new report by the American Federation of Teachers places the average national teacher's salary at about \$42,000. In Maine, the average yearly starting salary for a public school teacher is just a little over \$23,000. Yet these teachers, out of their own generosity, are reaching deep into their pockets to improve their teaching.

Now, under the current law, the problem is that teachers do not reach a sufficient level to be able to deduct the costs of their professional development and classroom supplies.

By allowing teachers to take the above-the-line deduction for professional development expenses and a credit for classroom expenses paid out of pocket, our amendment takes a fair, progressive approach that will provide a modicum of relief to our Nation's schoolteachers.

I should note that most of our colleagues have already voted for very

similar legislation. Last year, Senator KYL, Senator Coverdell, and I offered a similar amendment to the Affordable Education Act, which was adopted unanimously.

President Bush has eloquently stated:

Teachers sometimes lead with their hearts and pay with their wallets.

Our amendment makes it a priority to reimburse educators for just a small part of what they invest in the futures of our children.

I hope our colleagues will join us in support of this important legislation. The NEA says it well:

Teacher quality is the single most critical factor in maximizing student achievement. Ongoing professional development is essential to assure that teachers stay up to date on the skills and knowledge necessary to prepare students for the challenges of the 21st century.

Thank you, Mr. President.

I would like to recognize the leadership of the senior Senator from Virginia whom, I believe, will be speaking next in favor of our amendment.

The PRESIDING OFFICER. I thank the Senator from Maine.

The senior Senator from Virginia, Mr. WARNER.

Mr. WARNER. Mr. President, there are moments in your Senate career you shall not forget, and this is one, when I am privileged to join with our distinguished junior Senator from Maine. She pioneered this effort. And let no one be mistaken about that fact. I think Senator JEFFORDS and Senator KYL and others have also been at the early stages of this issue, some years more ago.

I joined them last year. We recognized we had two bills, and the time came for a consensus to elect a leader. The unanimous choice was the junior Senator from Maine. I am, as we say in the military, one step behind her dutifully following. But together we have crafted an amendment that every Senator in his or her heart and conscience can accept. I am optimistic that this will become law.

Mr. President, I ask unanimous consent to have printed in the RECORD a letter from the National Education Association. While addressed to me, it really is addressed to both of us.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL EDUCATION ASSOCIATION,
Washington, DC, May 16, 2001.

Senator JOHN WARNER,
U.S. Senate,
Washington, DC.

DEAR SENATOR WARNER: On behalf of the National Education Association's (NEA) 2.6 million members, we would like to express our support for your amendment to the Senate tax bill to provide tax benefits for educators' professional development and classroom supply expenses.

As you know, teacher quality is the single most critical factor in maximizing student achievement. Ongoing professional development is essential to ensure that teachers stay up-to-date on the skills and knowledge necessary to prepare students for the challenges of the 21st century. Your proposed tax

deduction for professional development expenses will make a critical difference in helping educators access quality training.

We are also very pleased that your amendment would provide a tax credit for educators who reach into their own pockets to pay for necessary classroom materials, including books, pencils, paper, and art supplies. A 1996 NEA study found that the average K-12 teacher spent over \$400 a year out of personal funds for classroom supplies. For teachers earning modest salaries, the purchase of classroom supplies represents a considerable expense for which they often must sacrifice other personal needs.

We thank you for your leadership in introducing this important amendment and look forward to continuing to work with you to support our nation's educators.

Sincerely,

MARY ELIZABETH TEASLEY,
Director of Government Relations.

Mr. WARNER. The letter, in part, states:

On behalf of the National Education Association's (NEA) 2.6 million [teachers], we would like to express our support for your amendment to the Senate tax bill to provide tax benefits for educators' professional development and classroom supply expenses.

Our great President sent to the Congress the message—which is the title of his education reform blueprint—"No Child is Left Behind." We cannot hope to achieve the goals in this guide, and the goals across our Nation, which every town, village, and city wish to have to improve education, leaving no child behind, if we leave our teachers behind. We will not leave any child behind if we do not leave teachers behind. That is the point. You cannot have one without the other. They go hand in hand.

I stopped to think how hard we work on our individual careers. Yes, we work on our careers. But teachers work to create—to create—the possibilities for others, the younger generation, to develop those careers.

My colleague from Maine has, in great detail, gone into the various parts of this bill, our President, on page 13 of his education reform blueprint, has a provision which says as follows:

... provides tax deductions for teachers. Teachers will be able to make tax deductions of up to \$400 to help defray the costs associated with out-of-pocket classroom expenses such as books, school supplies, professional enrichment programs, and other training.

We accepted that challenge of our President in this bill. We not only accepted it; we listened carefully to the teachers association, and we have enhanced it in a modest way. We have enhanced the goals set out by our President and the same goals that are really in the hearts and minds of our people all across America today.

So I am honored to join with my distinguished colleague.

Mr. President, just last week, on May 8, 2001, the Senate overwhelmingly adopted amendment that I offered with Senator COLLINS to the education bill. This amendment, which passed by a vote of 95-3, stated:

the Senate should pass legislation providing elementary and secondary level edu-

cators with additional tax relief in recognition of the many out of pocket, unreimbursed expenses educators incur to improve the education of our Nation's student.

I note that both the chairman and ranking member of the Finance Committee supported this sense-of-the-Senate amendment.

Senator COLLINS and I have pursued the goal of providing much needed tax relief for our teachers for sometime. However, despite sharing the same goal, in the past, we each have had our own bill and each had our own approach towards achieving this shared goal.

Senator COLLINS has truly been a leader on the issue of tax relief for teachers. I commend her for her work in highlighting this issue and for her tireless efforts to improve education in this country.

I am so glad that Senator COLLINS and I had the opportunity to sit down and discuss teacher tax relief legislation in greater detail. As a result of these discussions, we have joined forces and agreed on an approach to achieve our shared goal.

Today, I am honored to be joining with Senator COLLINS in offering the teacher tax relief amendment to the tax bill currently before the Senate.

This Collins-Warner amendment is cosponsored by a bipartisan group of Senators, including Senators LANDRIEU, COCHRAN, ALLEN, HARKIN, GORDON SMITH, MIKULSKI, REED and HUTCHINSON of Arkansas. The National Education Association has also endorsed this amendment.

The Collins-Warner teacher tax relief amendment has two components.

First, the legislation provides a maximum \$250 tax credit to teachers for classroom supplies. This credit recognizes that our teachers dip into their own pocket in significant amounts to bring supplies into the classroom to better the education of our children.

Second, this legislation provides a maximum \$500 above the line deduction for professional development costs that teachers incur. This deduction will particularly help low-income school districts that typically do not have the finances to pay for professional development costs for their teachers.

Mr. President, our teachers in this country are overworked, underpaid, and all too often under-appreciated.

In addition to these factors, our teachers expend significant money out of their own pocket to better the education of our children. Most typically, our teachers are spending significant amounts of money out of their own pocket on: classroom expenses—such as books, supplies, pens, paper, and computer equipment; and professional development costs—such as tuition, fees, books, and supplies associated with courses that help our teachers become even better instructors.

These out of pocket costs place lasting financial burdens on our teachers. This is one reason our teachers are leaving the profession. Little wonder

that our country is in the midst of a teacher shortage.

Estimate are that 2.4 million new teachers will be needed by 2009 because of teacher attrition, teacher retirement and increased student enrollment.

While the primary responsibility rests with the states, I believe the federal government can and should play a role in helping to alleviate the nation's teaching shortage.

On a Federal level, we can encourage individuals to enter the teaching profession and remain in the profession by providing tax relief to teachers for the costs that they incur as part of the profession. This incentive will help financially strapped urban and rural school systems as they recruit new teachers and struggle to keep those teachers that are currently in the system.

Our teachers have made a personal commitment to educate the next generation and to strengthen America. While many people spend their lives building careers, our teachers spend their careers building lives.

The teacher tax relief amendment goes a long way towards providing our teachers with the recognition they deserve by providing teachers with important and much needed tax relief.

At this point in time, I think I should yield the floor for purposes of such other remarks as other Senators may wish to make.

The PRESIDING OFFICER. The Senator from Maine.

Ms. COLLINS. Mr. President, I wish to thank the Senator from Virginia for his usual eloquent and gracious remarks. He is a terrific Senator with whom to work. The people of Virginia are very fortunate to have him representing them. He has also been an extremely strong advocate for education his entire time in the Senate. It has been a pleasure to work with him.

Mr. President, I ask unanimous consent that the Senator from Rhode Island, JACK REED, another very strong advocate for education, be added as a cosponsor of our amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WARNER. Mr. President, I thank my distinguished colleague for her very thoughtful remarks. She is a pillar today in this Senate, and she will always be a pillar of strength and wisdom in this institution.

Now, Mr. President, we will be anxious to hear from the managers of the bill.

I note, again, that both managers voted for the Warner-Collins sense-of-the-Senate amendment on the education bill endorsing this concept. I will quote again the amendment for the benefit of the managers. The amendment was adopted on May 8, 2001. The amendment passed by a vote of 95-3. And I quote it:

The Senate should pass legislation providing elementary and secondary level educators with additional tax relief in recognition of the many out of pocket, unreimbursed expenses educators incur to improve the education of our Nation's students.

Mr. President, it is remarkable, as I travel about our State, the great State of Virginia; you cannot go to a school, and particularly the elementary schools, without hearing of teachers, although they will not tell you, who reach into their own pockets and take out their funds—after paying taxes—and quietly buy, here or there, various necessities which they, in their judgment, believe are necessary to enable them and their students to learn. I wish to emphasize, it is voluntary.

The PRESIDING OFFICER. The Chair will advise, with great trepidation, the time of the senior Senator from Virginia has expired.

Mr. WARNER. I appreciate my junior colleague, the Presiding Officer, advising me, but if I could have 15 seconds.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WARNER. Without hesitation, if you asked the question, they will then say: Yes, but I do it voluntarily out of the goodness of my heart. And they will say: Look at the walls, Senator. Look at the drawers. Look at the desks. And they can point to object after object they have purchased with their own funds—after taxes.

I thank the Chair and yield the floor.

Ms. COLLINS. Mr. President, will the Senator yield very quickly for a unanimous consent request?

The PRESIDING OFFICER. The Senator from Maine.

Ms. COLLINS. Mr. President, I ask unanimous consent that the Senator from Connecticut, Mr. DODD, also be added as a cosponsor of our amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Montana.

Mr. BAUCUS. Mr. President, it is with great reluctance that I feel constrained to say a few words, urging my colleagues, as meritorious as this is and as wonderful as the Senator from Maine is in representing her State, that this is just regrettably not good policy.

I appreciate the remarks of my good friend from Virginia pointing out the sense-of-the-Senate resolution. I think Senators tend to vote for sense-of-the-Senate resolutions because that is our sense, that it would be a good idea. But when, as the Senator well knows, we have to decide what is within the parameters of how much we can spend and when it comes down to crafting something that is particular and specific, that is where the rubber meets the road and we have to decide whether the specific idea is really good tax policy or not.

There is a lot of money here for education generally. It is about \$35 billion, for higher ed and elementary and secondary ed. I am not going to list it all. I know that it doesn't directly help teachers.

Teachers, I might say, in my State are probably some of the lowest paid teachers in the Nation. I might add to my good friend from Maine, I am afraid

that some teachers are going to leave Montana to seek a better salary in other States. We are in a tough spot. If I didn't have the responsibility of managing this bill, I could very well support this. But I feel a responsibility to say a few words about it.

First, it singles out for credit one group and one group only. If we start going down this road, then we are going to offer credits for expenses for every meritorious public service profession that exists. I know many teachers dig into their pockets to help their students. It is just awful, the things they have to go through to help their students. We don't begin to pay our teachers nearly enough, in my judgment. Given all that, I just don't know if it is wise to single out teachers as opposed to other professions.

Second, the responsibility for teachers' salaries really is the school districts in the States. We are helping school districts tremendously in many ways by giving more IDEA money, more ESEA money, title I money, and all of these different categories that allow school districts to then spend more money in salaries for teachers. Districts will have a lot more money in total, so in addition to what they raise with property taxes, these programs will provide a lot of relief to the school districts.

Third, this provision adds more complexity to the code. If there is anything we hear, it is that people want simplicity. They don't want more complexity. I know that doesn't sell very well when you are standing in front of schoolteachers or the NEA. We want to give a lot more to our teachers. Believe me, I am one of the strongest advocates in the State of Montana to give more money to our teachers.

We should not be helping school districts in this way with responsibilities that are theirs when we have a better way, by giving more dollars to the other programs that I mentioned: IDEA, ESEA, and title I, et cetera. I wish we could support this, but as much as we would like to help, this is not a good policy to adopt.

Mr. WARNER. Will the Senator yield for a question?

Mr. BAUCUS. I am glad to yield.

Mr. WARNER. I have served for many years with the distinguished Senator from Montana on the Environment and Public Works Committee and other avenues in the Senate. I know him well and the strength of his voice. But as he addressed the Senate tonight, I see pain in his heart.

When he said there is no policy, I refer the Senator—of course, I realize he doesn't know every provision in the Federal Tax Code; this is awesome; I wish we had some provisions in here to simplify this—to page 47, section 62. The subsection is (a), which covers adjusted gross income defined, and I read (b), certain expenses of performing artists. The deductions allowed by section 162, which consist of expenses paid or incurred by qualified performing art-

ists in connection with the performances by him—and I presume "her" although it is not written—of services in the performing arts as an employee.

There it is. There is tax policy. My distinguished colleague said there is no policy. Here is the policy, given to artists. Somehow, having some modest familiarity with performing artists, I take note that their salaries are somewhat larger than those who are down at the very foundation of our Nation, educating our young people.

Mr. BAUCUS. I was going to ask the Senator a question. He asked me a question.

Mr. WARNER. I think I have answered it, but you may go right ahead, sir.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. I would like to answer that question. I didn't say that there is no policy. Those were not the words I used. I did say, though, that I don't think we should start going down this road, which basically implies that, whether the provision you mentioned is meritorious or not, I don't know if it is wise to keep going down that road.

I want to share a line that kind of struck me about this whole subject. When my wife and I got married about 18 years ago, we went on a honeymoon. On the honeymoon, we stopped off on the first night at a bed and breakfast. The next morning we were sitting down and having breakfast, and the lady who ran the bed and breakfast was serving breakfast. She knew, for some reason, I was in the Senate. I did not broadcast that. I did not, frankly, want her to know that. I was on a honeymoon with my bride. And this lady walked up to me right away after she served us part of the breakfast and she started insisting that the red dress she was wearing should be tax deductible because it wasn't fair.

Here I am on my honeymoon, and I couldn't get away from it. I thought, first of all, it is in poor taste to be asking for that, but, second, it is clear that some people, with the jobs they have, need legitimate expense deductions for the expenses they have. She is not entitled, this lady, to a deduction for the dress she wears.

We have to draw lines. We have to make choices. I think this is not a road we want to continue going down. We do not want to further complicate the code with even more complexities.

The Senator is right, it is with a heavy heart that I must stand up and say I don't think this is good tax policy. Even with a heavy heart, I think this is not the wise way to go. There are better ways to accomplish the objective the Senator is so correctly seeking.

Mr. WARNER. I thank my colleague for his very courteous reply.

Mr. DODD. Mr. President, is there any time remaining?

Mr. BAUCUS. How much time do we have remaining?

The PRESIDING OFFICER. The opposition has 6 minutes 18 seconds.

Mr. BAUCUS. I yield whatever time the Senator needs.

Mr. DODD. I thank the distinguished ranking member of the Finance Committee. I commend our colleague from Maine. I know my friend from Montana will appreciate these remarks. I also thank my friend from Virginia who, once again, has enlightened us with a little history on the importance of a provision such as this.

From a personal standpoint, we all have personal stories. My older sister Carol is a teacher, has been for 35 years. She has taught over the last 15 years or so in the public schools of Connecticut. I was telling my friend from Maine, the author of the amendment, who is so committed to education, almost on a yearly basis I go with my sister to literally buy from Home Depot and other places the planks to make the little bookcases in her classroom, literally buy pencils, paper, and other items.

I say this coming from the most affluent State in the country on a per capita income basis. She teaches in the city of Hartford which has had serious problems. They do not have the resources, and she goes and buys them out of her own pocket each year.

This is not some abstract idea. I have literally gone with her to do this. I was shocked when I first discovered it. I couldn't believe she was actually doing it. I thought there must be some pool of resources that would allow for the accommodation of things such as pencils and boards and toilet paper, literally, for classrooms in a public school in the United States of America. I was stunned to discover she literally dipped into her own pocket each year to buy the supplies.

Mr. BAUCUS. May I reclaim some of my time?

Mr. DODD. This is a modest amendment. We can't do enough with the ESEA bill. I wish we could to make up the difference. This small little piece, when we so value education and those who commit themselves to this, to say there is a small line here for \$250, that we are going to provide some relief to you for doing what you are doing, for those reasons I am a cosponsor and applaud my friend from Maine and my friend from Virginia for their eloquence and their support of this modest proposal.

(Mr. ENZI assumed the Chair.)

Mr. BAUCUS. Mr. President, I have such reactions when I hear my friends from Connecticut speak. There is no greater champion for kids than the Senator. I am surprised he doesn't have a kids tie on because often he does wear one.

A couple points. Connecticut is one of the highest per capita income States in America. My response is, let them try to pay teachers a little bit more.

Mr. DODD. No argument there.

Mr. BAUCUS. I am sure teachers agree with that. Another point, Mr. President, is that teachers can, today, deduct unreimbursed expenses. It is in

the law today. Just as any employee, they can deduct unreimbursed expenses. They can deduct them. If it were your sister buying supplies, she can deduct all that. It is already deductible today, as my good friend from Virginia mentioned, as professional expenses. We are not talking about another deduction but adding a credit. It is something in addition to what teachers can already do. They can deduct their professional expenses today, buying paper, and so forth. It is true they don't have the world's highest tax bracket, so the value of the deduction isn't as much as it otherwise might be, but it helps a lot.

I think we should keep the policy of deducting unreimbursed expenses, but let's not, on top of that, add a credit. I think we should just hold the line.

Mr. WARNER. I ask unanimous consent that we may have a minute and a half so our colleague from Maine can wrap up.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Maine.

Ms. COLLINS. Mr. President, I want to respond to the legitimate point the Senator from Montana has raised. It is true teachers can deduct unreimbursed expenses—theoretically.

The problem is, most teachers don't make enough money to itemize. So most of them do not get the benefit of the itemized deduction that would allow them to write off unreimbursed expenses.

In addition, even those who itemize have to reach a 2-percent floor of their income in order to claim the deduction. So for the vast majority of our Nation's teachers, these are unreimbursed expenses for which there is no tax deduction at all.

We have to remember that we are talking about teachers who are not well paid. I agree with the Senator from Montana that we should pay our teachers better. But we in the Senate can take a modest step by adopting this proposal to help our teachers who reach deep into their pockets to pay for classroom supplies and paper materials and pay for course work. Can't we take the small step to say thank you for their investment in our Nation's children? I think we can, Mr. President. I hope the Senate will adopt this amendment.

Mr. WARNER. Mr. President, we yield on that. I commend my distinguished colleague from Maine.

The PRESIDING OFFICER. The Senator from Montana has 2 minutes remaining.

Mr. BAUCUS. I yield back the remainder of my time.

The PRESIDING OFFICER. Under the previous order, the Senator from Missouri is to be recognized.

The Chair recognizes the Democratic leader.

AMENDMENT NO. 674

Mr. DASCHLE. On behalf of the Senator from Missouri, I will not take the full amount of time because I know the

Senator from West Virginia wants to offer his amendment. We didn't have as much of an opportunity as I had hoped earlier to talk about the Carnahan amendment. Let me again compliment the Senator from Missouri for her effort in calling attention to one of the major concerns we have with the pending legislation.

The pending legislation, of course, purports to provide tax relief to all Americans. But there is a glaring exception to the equity with which they attempt to provide that tax relief. That exception refers to the fact of all the different tax rates and the reductions within those rates.

The one that is entirely left out is that 15-percent rate affecting 72 million taxpayers. The largest percentage of income-tax payers in the country pay at the 15-percent rate—72 million taxpayers pay the remaining 15-percent rate. Yet this bill completely skips over any rate reduction for those who fall in that category. There is a 3-percent rate reduction for those at the very top. There are rate reductions for those at every other level. But the rate reduction for those who fall in the remaining 15-percent class has been omitted.

Now, what the bill does do, of course, is to provide a new rate of 10 percent for that income below \$12,000. But everybody is entitled, across the board, to the benefits of that new rate of 10 percent, and so those income levels, at \$109,000, \$166,000, and \$297,000 all benefit from the 10-percent rate cut, as does the 15 percent. But over and above that, those income levels beyond the 15-percent rate cut, beyond \$65,000 gross, or \$45,000 net, they all get substantial additional reductions in their rates.

But this bill leaves out the 72 million taxpayers who pay at the 15-percent rate.

Senator CARNAHAN's amendment says we think everybody ought to have a rate cut. So Senator CARNAHAN would reduce the 15-percent rate to 14 percent. It would provide for a rate cut, then, in every classification of income-tax payer. The way she pays for it is simply to provide for a 1-percent rate cut in all the other classifications. So those making incomes at levels above \$297,000 would get a 1-percent rate cut; those making incomes at \$166,000 would get a rate cut of 1 percent; those making incomes of \$109,000 would get a rate cut of 1 percent; and those making incomes of \$45,000 would get a rate cut as well.

I can recall hearing vividly the President say there should not be winners and losers as we cut taxes, that everybody ought to get a tax cut. Well, if he holds that philosophy, it would be hard for him to support this bill because this bill does create winners and losers. If you fall in that 15-percent rate cut—if you are one of those 72 million taxpayers who fit into that income level between \$12,000 and \$45,000 net, you don't get a rate cut. They don't want

you to know that, apparently, because there hasn't been much discussion about it. But that rate was omitted. I don't know why it was omitted. I can't understand how anybody could argue that it should be omitted. But it was omitted. So you are left out; you have no opportunity to benefit.

So I am really hopeful, Mr. President, that we can solve that problem. The only way I know to solve the problem is to address the issue as Senator CARNAHAN would address it—providing that the rate cut go from 15 percent to 14 percent. One half of all South Dakotans fit into this category. I would guess that between 40–50 percent of just about all of our constituents fall into this category. We know that 72 million taxpayers fall into this category. It is so critical, it seems to me, in the interest of fairness. It is critical in the interest of attempting to provide the help to those middle-class working families who probably need it as much as anybody in the upper income scales to provide them some relief as well. That is what this amendment does. Let's give them that benefit of the new 10-percent bracket like all other rates are provided, but let's do what we are doing for all other rates as well, by providing them with at least some reduction. One percent may not be much to some, but 1 percent is a whole lot better than absolutely nothing, which is what they get in this bill. That is what the amendment does.

In the interest of time, I will yield the floor. I just hope people will take this into account, and, at the appropriate time on Monday, support the Carnahan amendment.

I yield the floor.

The PRESIDING OFFICER. Under the previous order, the Chair recognizes the Senator from West Virginia.

AMENDMENT NO. 679

Mr. ROCKEFELLER. Mr. President, I have an amendment that I send to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from West Virginia [Mr. ROCKEFELLER], for himself, Mr. GRAHAM, Mr. WELLSTONE, Mr. KENNEDY, Mr. HARKIN, Mr. JOHNSON, Mr. KERRY, Mrs. CLINTON, Mr. DAYTON, and Ms. STABENOW, proposes an amendment numbered 679.

Mr. ROCKEFELLER. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To delay the reduction of the top income tax rate for individuals until a real Medicare prescription drug benefit is enacted)

On page 9, between lines 14 and 15, insert the following:

“(4) DELAY OF TOP RATE REDUCTION.—

“(A) IN GENERAL.—Notwithstanding paragraph (2), with respect to a calendar year, no percentage described in that paragraph shall

be substituted for 39.6 percent until the requirement of subparagraph (B) is met.

“(B) MEDICARE OUTPATIENT PRESCRIPTION DRUG BENEFIT ENACTED.—Legislation is enacted that adds an outpatient prescription drug benefit to the medicare program established under title XVIII of the Social Security Act, without using funds generated from any surpluses in any trust fund established under the Social Security Act, that is—

“(i) voluntary,

“(ii) accessible to all medicare beneficiaries,

“(iii) designed to assist medicare beneficiaries with the high cost of prescription drugs, protect them from excessive out of pocket costs, and give them bargaining power in the marketplace,

“(iv) affordable to all medicare beneficiaries and the medicare program,

“(v) administered using private sector entities and competitive purchasing techniques, and

“(vi) consistent with broader reform of the medicare program.”.

Mr. ROCKEFELLER. Mr. President, this is an amendment regarding Medicare prescription drug benefits. Senators GRAHAM of Florida, WELLSTONE, KENNEDY, HARKIN, JOHNSON, KERRY, CLINTON, DAYTON, and STABENOW are all listed as cosponsors, and I am sure there will be more.

The amendment is an extraordinarily serious amendment. It was the amendment in the Finance Committee which got the second most votes of any of the amendments we did, and which I think should have passed.

This amendment takes the top rate reduction of our income tax as proposed under the compromise bill and makes it contingent upon the passage of a prescription drug bill, a prescription drug benefit that would, in fact, be voluntary, accessible, affordable. This amendment, therefore, is in the most immediate terms about priorities. It is a classic choice that Senators are going to have to make that will say a lot to the American people.

It is clearly saying the Medicare prescription drug benefit that every single political person on this Hill and those at the other end of the avenue who promised to the American people is just as important as a tax reduction for the wealthiest of our people.

This amendment does not preclude the tax cut—I wish that to be clear—but, rather, shifts the debate back to the promise we have made and about which we have been very firm and talked about endlessly at hearings and years of fora.

The amendment basically says the reduction in the top tax rate will not go into effect until and unless an accessible, comprehensive, universal prescription drug benefit is enacted. A vote for this amendment is not a vote against the tax cut. It is a vote in favor of the prescription drug amendment. The doing of the one does not preclude the doing of the other. It is just that you have to do the prescription drug benefit to get to the top rate.

A vote in support of this amendment says you believe it is just as important that all Medicare beneficiaries who suffer all over this country in various

ways and various forms against the devastating and ever-growing cost of prescription drugs, some of whom have to make terrible choices in their lives about this, that their plight is as important as those who are the wealthiest among us getting their top tax rate reduction.

A vote in support of this amendment says you believe the drug benefits should take precedence over a tax cut. It does not say you cannot have a tax cut; it just says it should take precedence over a tax cut with a prescription drug benefit and you do not think seniors should be forced to make the choices they do now.

We have made some progress. The budget resolution, thanks to the leadership of the Senator from the State of Iowa, the chairman of the Finance Committee, explicitly rejects President Bush's prescription drug benefit as being insufficient and accepts the principle that a prescription drug benefit should be available to all beneficiaries universally—not national in that sense, not nationalize, not socialize, just universal; everybody.

It says that 39 million Americans who are Medicare beneficiaries and those who are disabled should have this benefit. It is a proposal that provides a premium subsidy to all Medicare beneficiaries, a proposal that ensures true catastrophic coverage against drug costs, a proposal that incorporates a new benefit into the Medicare Program. So it is just as reliable as all of the other benefits in the Medicare Program, a proposal that does not completely rely on private insurance because private insurance has failed Medicare beneficiaries in terms of delivering that benefit.

I will close with this because there is little time and others want to speak. One group, which is bipartisan, says:

We agree with you we cannot enact a tax break for the wealthiest Americans. We should be sure our vulnerable citizens receive the lifesaving drugs they must have.

This is an absolutely classic choice that Americans need to make about prescription drugs. We are doing it on their behalf in this amendment.

I hope my colleagues will support this amendment, and I hope there are other colleagues in the Chamber at this time who will speak for this amendment.

I yield to the Senator from Florida.

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Oklahoma.

AMENDMENT NO. 674

Mr. NICKLES. Mr. President, I yield myself 5 minutes to speak in opposition to the Carnahan amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NICKLES. Mr. President, we heard the minority leader say there are 72 million people who do not get anything out of the bill; they do not get a rate reduction because we do not reduce the 15-percent bracket.

There are different ways of cutting taxes. The way we have done it is to put in a significant percentage of income. People were saying 15 percent. We said we are going to tax that at 10 percent. The net result is we cut everybody's individual taxes. If they make up to \$12,000 as an individual, they get a tax cut of \$300. If it is a couple, they get a tax cut of \$600. That boils down to an across-the-board cut, if you want to look at that, for people who are in the 10-percent bracket; if they are married, it is a 10-percent tax cut.

You can do that one of two ways. You could say let's reduce the 15-percent bracket to 13.5 percent. I have suggested that. It might make that simpler policy. That way we can say we reduced every bracket a similar amount. But the other brackets we reduced by 1 point. I suggested 1.5 points. In other words, reduce the 15-percent bracket 10 percent so we can say we reduced every bracket by the same amount. I will be happy to reduce upper brackets by 10 percent. We do not do that, certainly not retroactively.

For people to assume we are not helping the lower or middle income is not factually correct. The rate reduction we have in the bill reported out of the Finance Committee exceeds 1 percent. It exceeds what we have done in every other bracket. It exceeds it for a couple reasons. One, it is retroactive to January 1 of this year. All other rates have to wait until January 1 of next year and get a 1-point reduction.

On the least income rate, we give them a 33-percent reduction on their first taxable income of \$12,000. That is a \$600 savings, and that is over a 1-percent reduction for everybody who is in the 15-percent bracket going all the way up to \$44,000, \$45,000 for a joint couple.

My point is there are different ways of doing it. For people to demagog and say they do not get a rate reduction, well, they get a bigger tax cut by the way we have done it.

If you want to change the way we have done it and say for the 15-percent bracket we reduce it to 14 or 13.5, we could easily do that. It ignores that we give a \$500 tax credit per child, which benefits that income category substantially, and ignores the fact the income tax credit is refundable over my recommendation.

There is a lot of tax policy direction. I believe about \$450 billion of the entire rate reduction, which is only \$850-some billion, is directed on this 10-percent bracket, on the lowest income. For people to make this allegation that 72 million people are ignored is hogwash. That is not correct. We could redo it by rate reduction, we could redo it in any number of different ways, but this group gets the biggest percentage of reduction of anybody in this tax bill. Upper income people, anybody else at a 28-percent rate, 31-percent rate, 33-percent rate, 36-percent rate, 39-percent rate, get a 1 point reduction for 4

years. We are giving a great percent or point reduction for low income retroactive to January 1 of this year.

I urge my colleagues to vote no on the Carnahan amendment.

Mr. GRAHAM. Will the Senator yield?

Mr. NICKLES. I am happy to yield.

Mr. GRAHAM. I obviously was mistaken. I did not realize the people at the higher income brackets did not also get the benefit of the \$600 reduction which comes by inserting the 10-percent bracket at the commencement of the tax table.

Mr. NICKLES. I never said they didn't.

Mr. GRAHAM. People in the 39.6-percent bracket, do they get the same tax reduction as the people in the 10-percent bracket in dollar terms?

Mr. NICKLES. To answer my colleague's question, yes, the \$600 applies to all taxpayers. The percent reduction did not happen for upper income taxpayers. The fact is they only get 1 point reduction in taxes in the first 4 years of this bill, and that is January 1 of next year. Percentagewise, lowest income people get a 33-percent reduction retroactive back to this year.

My point is you can do taxes different ways. Maybe a better way is to take the 15-percent rate and make it 14 percent, not to do it in addition to the 10-percent rate.

So if colleagues want to change the policy we have, not do the 10-percent rate, and move the 15-percent rate to a 14-percent rate, if they like that, I am happy, but they do not get as significant a reduction as provided in the bill before the Senate.

Mr. GRAHAM. Will the Senator yield?

Mr. NICKLES. There are only 20 minutes on the amendment. We have 10, and I know I have used 8, so I reserve the remainder of my time.

Mr. GRAHAM. At the appropriate time, I will ask a question about what is the logic behind giving a 1-percent cut to the people at the 39.6-percent bracket but not any cut at all to the people in the 15-percent bracket, but I cannot at this time.

AMENDMENT NO. 679

Mr. ROCKEFELLER. I yield 4 minutes to the Senator from the State of Florida.

The PRESIDING OFFICER. The Senator from Florida.

Mr. GRAHAM. There are a lot of ways in which we can determine what our real priorities are. One of those is not what we say. I imagine virtually every Member of this Senate at some point has said they favor a comprehensive prescription drug benefit for older Americans.

What really counts is not what we say because we can say all things to all people. What really counts is things such as how do we spend our money—that is a true indicator of one's priorities—or how do we spend our time—that is a true indicator of one's priority—or what things we do first.

We had a period when we lived by the slogan "Social Security first." We were supposed to fix Social Security to deal with that big wave of baby boomers as our first priority. We obviously didn't accept that because we didn't deal with that, and we are not dealing with it tonight.

What we are saying is our first priority is to cut the tax rates for the wealthiest among us. The people who earn the largest amount of income in our society are about to get somewhere in the nature of 30 percent of this \$1.35 trillion tax cut.

We are saying with this amendment there is another thing that needs to be first. That is to be faithful to our commitment to provide a prescription medication benefit to our older Americans. This is the opportunity to express the sincerity of that commitment.

I urge my colleagues to vote for this amendment. We have been talking about it for years and years and years. Mr. President, 2001 is the time to deliver a prescription drug benefit for older Americans.

We have learned a number of things during the years we have debated this issue. We know prescription drugs are often the best, sometimes the only, way to treat many of the diseases faced by the elderly. To deny these drugs is essentially to sign a death warrant.

We have also learned that many Medicare beneficiaries have no access to any prescription drug benefit, that many others are finding the benefits they have to be inadequate, unstable, and evaporate. We have learned the majority of seniors are faced with a difficult choice of paying extremely high prices at the retail outlets or forgoing medically necessary prescription drugs. We have learned those who are able to purchase medicines are seeing an ever-increasing share of their fixed incomes going toward drugs as prices continue to increase. We saw it last year for many of the most significant drugs for older Americans. That increase was in the range of 15 to 20 percent.

The time is long overdue for the Senate to say first things first. And first is going to be to prepare our older citizens for a life of quality and dignity and affordability. The most fundamental step we can take to achieve that goal is to include prescription drugs as a basic benefit under the Medicare program available to all beneficiaries. Over 40 million Medicare beneficiaries should not have to continue to wait for Congress, to wait for Congress to get around to recognizing the importance of something as basic as their health care and the central role of prescription drugs in protecting their health.

I hope my colleagues will join me in supporting this amendment and saying first things first, prescription drugs for older Americans are of equal importance to reducing the tax on the most wealthy of our citizens.

The PRESIDING OFFICER. Who yields time?

Mr. ROCKEFELLER. If I might ask the Presiding Officer how much time remains.

The PRESIDING OFFICER. Four minutes 52 seconds. The other side has 15 minutes.

Mr. ROCKEFELLER. Mr. President, the Senator from West Virginia is happy to yield 4 minutes to the junior Senator from the State of Michigan.

Ms. STABENOW. Mr. President, I thank my colleague from West Virginia. I appreciate his strong and consistent leadership on this critical issue. Thank you for proposing this amendment. I am proud to be a cosponsor and proud to join with our Senator from Florida, Mr. GRAHAM, to talk this evening about what is the most urgent, critical issue facing our seniors and many of our families.

I wish we had the same sense of urgency about updating Medicare to cover modern medicine, which is prescription drugs, as we do with the sense of urgency about the underlying tax bill.

I support tax cuts. I consistently supported tax cuts. But I know this, when we set the priorities for our country, just like when we set the priorities in our own family, if we need to ask the top 1 percent of the wage earners of this country to be able to wait just a little bit until we can modernize Medicare for our seniors, I think that is a fair request. I think it is fair and reasonable for us to be placing a sense of urgency on the senior citizen who is going to get up tomorrow morning, sit down at the breakfast table and decide, do I eat today or do I get my medicine; the seniors who are going to decide tomorrow whether or not to cut their pills in half so they stretch a little bit longer or whether they are going to take them every other week.

I have had doctors approach me, greatly concerned because they have elderly patients who are trying to self-regulate so they can last just a little bit longer with their medications because they know they are not going to be able to afford to buy that prescription.

I guess each and every one of us have spoken about this issue and certainly we have had people in our States speaking to us. I only wish we would have the same sense of urgency about this issue as the campaign television commercials of last year. Many of us talked about this, on both sides of the aisle, on both sides of the building. We have talked and talked about this issue. We know we have to address it. We have that opportunity tonight through this amendment. I urge my colleagues on both sides of the aisle to do just that.

This is a question simply of priorities. This does not change the tax cut other than to ask less than 1 percent of the population to defer until we can update prescription drug coverage under Medicare. This does not change the tax cut for any of the taxpayers, but it asks one group of taxpayers if

they can wait just a little bit in order for our seniors, who have been waiting so long, to be able to have us address what is their most pressing issue.

I commend my colleague again. I cannot think of anything more important, in terms of addressing priorities of our country, than to keep the full promise of Medicare that was made over 35 years ago.

We said at that time that we would provide health care for anyone over age 65 or the disabled. If we do not update this system to cover prescription drug coverage, we are not keeping the promise.

I encourage my colleagues to support this important amendment, and I will yield any remaining time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I am going to address the Rockefeller amendment that is before us, and I think I can speak to what the Senator from Michigan, the Senator from Florida, and the Senator from West Virginia have raised as legitimate concerns.

I will start over here with the Senator from Michigan. There is as much urgency about taxes as there is prescription drugs and Medicare. We probably haven't had as many hearings this year on Medicare and prescription drugs as we have taxes, but over the last 12 months we have had a lot more hearings in the Senate Finance Committee on Medicare and prescription drugs than we have on taxes.

The reason we are having taxes up before prescription drugs is simply that the Tax Code was written in 1916 and there have been a lot of changes to it since then. For the most part, it is a matter of just changing a few words here or there. On the other hand, I have to admit it is complicated by adding a lot of new language. But when you are dealing with the legislation we are dealing with on this tax bill, it is not a complicated item to change the Tax Code to some extent. Maybe a little bit on the estate tax provisions we have here, but otherwise it is a matter of fine-tuning.

When it comes to prescription drugs, we are writing a whole new program. The Democrat staff and Republican staff are working on it right now. They are charged from Senator BAUCUS and me that we want to bring this up by the latter half of July. My staff tells me that it is quite a job for them to do that. I am convinced they will meet that deadline.

So it is a matter of doing what we can do now and taking the necessary time to do what is new and to do it right. That is our commitment, to doing it right.

There is not a greater urgency in my committee for taxes over prescription drugs. It is just a case of when you can get each done. That is true of a lot of other things we are going to be dealing with as well, trade and Social Security.

In the case of being all things to all people, in Iowa you can't be all things

to all people. I don't know about Florida. But if I were speaking about all those things you said, the people of Iowa would know I was not telling the truth. Maybe there is something about me; I can't cover up very well. But I have been telling people in Iowa that we are going to have prescription drugs legislation when we hope to get it out of the committee. I have even suggested there are some people in my party who maybe would rather not do anything, put it over to next year, get an election year, get it all caught up—we want to do that on the floor of this Senate this October or November and get it out of the way so it doesn't come into the election cycle.

The other thing is resources are part of what the Senator from Florida is talking about and the Senator from West Virginia is talking about. Remember, we are not very far apart on the resources, at least in the budget resolution. My colleague supported and offered—I don't know whether he offered it, but you at least spoke for a \$311 billion pot of money that is put aside for Medicare. My amendment was \$300 billion. My amendment carried; yours did not carry. It wasn't because the \$11 billion one carried or the other did not carry, it was where the source of money was. Mine was from the contingency; yours was from some reduction of the taxes. But you cannot say the resources are not set aside.

Is that enough? I don't know. But it is what we have set aside—\$11 billion separate from what you thought was enough from what I thought was enough. Frankly, we don't know. It depends on how good you want to do it. If you want to do it the way most of the bills are introduced to make sure there is no less than a 50-percent subsidy, it is very expensive. But if you start it with the idea you are going to have universal access and in the universal access have some ability to pay, there is no reason why you have to have free pharmaceuticals. You ought to have it based on the ability to pay. We will start it with the amount of money we can and start at the bottom of the economic ladder and move up and cover as many people as we can and do it in a way that brings the forces of the marketplace in, some bulk purchasing.

There are probably a lot of things I can tell you that ought to be brought into the program to make it so we can provide more prescription drugs at a lower level of cost, both to the taxpayers and to the consumer as well. But we are involved in this. So I think we do not need, either from the standpoint of legislative priorities, from the standpoint of the resources that are set aside, or a commitment on the part of both political parties—maybe not everybody in both political parties—but the commitment of people in political parties to get this job done.

I want to make sure everybody understands you do not have to adopt Senator ROCKEFELLER's amendment to make sure prescription drugs are going

to get the attention that the last election brought to it. The economics of it are enough, but let's say the ultimate is when both political parties are campaigning on something, it is an issue in the campaign, that that is a commitment to getting something done.

So I ask rejection of the Rockefeller amendment based upon what is a commitment on the part of many people in this Congress to move ahead on this issue.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, how much time remains?

The PRESIDING OFFICER. The proponents have 1 minute, the opposition has 8 minutes.

Mr. BAUCUS. Mr. President, there are parts of this job that are not fun, and one of them is standing up and saying: I cannot agree with my good friend from West Virginia. Believe me, he is a good friend. There is no stronger advocate for seniors and prescription drug benefits than Senator ROCKEFELLER.

In many respects, we are here because of a man named Brian Schweitzer. Who is Brian Schweitzer? Brian Schweitzer is a man from the State of Montana who ran for the Senate. He mobilized this Nation, or at least got this Nation to realize that we need to provide a prescription drug benefit under Medicare.

He took busloads of seniors to Canada, where seniors could buy prescription drugs for much less than they cost in the United States. He took busloads of seniors to Mexico, where seniors bought drugs for much less than they could buy the same drugs, manufactured by the same drug companies, in the United States. He basically started a kind of popular "prairie fire" for the right reasons.

As a consequence, this issue probably was a major component in about five Senate elections this last year. It could have been determinative in a couple, but it was certainly a major issue. And for good reason.

Last year, the 50 most popular prescription drugs used by seniors rose by twice the rate of inflation. Fifteen of those 50 drugs increased by three times the rate of inflation, and eleven of the 50 most popular drugs used by seniors increased by three times the rate of inflation. Utilization—a fancy term for "use"—is increasing. Costs are increasing.

We all know that if we were to write a Medicare bill today—not as we did in 1965—we would include outpatient drug coverage under Medicare. That is a given. We also know that it is a very expensive proposition. We have to write a prescription drug benefit bill that is fair, that makes sense, that is responsible, and that helps seniors.

Let's take a drug that is very popular among seniors, Prilosec. Prilosec is a prescription drug that relieves ulcers and similar gastrointestinal illnesses. The out-of-pocket expense for Prilosec

is about \$1,400 a year. The average Social Security benefits are \$10,000 a year. So that means that more than 10 percent of Social Security benefits would go toward buying Prilosec for a senior with an ulcer.

And we know that seniors take a lot more prescriptions than Prilosec, which helps them so much. We all know the importance of prescription drug therapies. That is a given. I do not think anybody disagrees with that in this Chamber.

The real question is, how do we design a benefit, and when? I tell you, I will work as hard as I can to get a prescription drug benefit passed this year, working with my good friend from Iowa, Senator GRASSLEY. But I do not think it is wise to condition the enactment of major legislation upon other legislation. In fact, I believe it is unconstitutional. The Supreme Court has ruled that you cannot condition enactment of legislation upon a contingency. It is unconstitutional. It would not stand constitutional scrutiny.

Although the constitutional issue is one reason, the second reason I speak in opposition to this amendment is a public policy reason. It does not make sense to condition passage of one major bill upon passage of another major bill. We should take up issues as they come up, one at a time. It is perhaps a bit simplistic, but you take each event as it comes. We cannot condition hour 6 against hour 8 or 11, and so forth. It cannot be done.

So I say to my very good friend from West Virginia—I mean, he bleeds for these issues, and correctly so, because it is the right thing to do. But there is a time and place for everything. One can question, what is the right time? The right place? There is a proper time and place. According to Ecclesiastics, there is a time and place for everything.

I urge us to resist the Siren song of contingency and, rather, to take up the issue of prescription drugs when the time comes—and that time is after the passage of this tax legislation, which I suspect will pass.

In relation to the conference report, I am not sure the conference report is going to be agreed to. That is a very real concern that I have. But certainly in the next three months or so, we can sit down and work hard to get a prescription drug benefit, a universal benefit, along the principles we all know we need and want, passed this year. And we can do it.

Let's do that, and pledge to do that. But I do not think it is wise public policy to condition passage of one major piece of legislation on another. Besides, I believe it is unconstitutional. So why are we are going to do something that is going to be ruled unconstitutional? Let's just do our tax business now and then get the prescription drug business done. Let's aim for it.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, I have a minute remaining.

I would simply say, I think the point is that the words that have been spoken are good and encouraging. There is a time and a place for everything, but there is not necessarily the money for everything. It is this Senator's view—and I think anybody who does the mathematics of this bill, much less the tax cut bills which will come later on—we will be depleting the revenue available for us to spend on anything. There will simply not be the money to pass a prescription drug benefit in July or in August or at any time unless we adopt this amendment. The money will not be there. You have to have the \$300 or \$311 billion, and it will not be there.

I strongly, therefore, for 39 million Medicare beneficiaries and for those who are disabled and on a voluntary basis want to make use of this, urge my colleagues to adopt this amendment. Because if they do not, there will not be a prescription drug benefit.

I yield the floor.

The PRESIDING OFFICER. The Senator's time has expired.

The manager has a minute and a half.

Mr. GRASSLEY. Can we reserve our time, Mr. President?

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 685

The PRESIDING OFFICER. Under the previous agreement, the Senator from Indiana is recognized and is in control of time for 15 minutes.

Mr. BAYH. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Indiana [Mr. BAYH] for Ms. SNOWE, for herself, Mr. BAYH, Mr. CHAFEE, Ms. LANDRIEU, Mrs. FEINSTEIN, Ms. COLLINS, Ms. STABENOW, Mr. JEFFORDS, Mr. KOHL, Mr. CARPER, Mr. NELSON of Florida, and Mrs. CLINTON, proposes an amendment numbered 685.

Mr. BAYH. I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To preserve and protect the surpluses by providing a trigger to delay tax reductions and mandatory spending increases and limit discretionary spending if certain deficit targets are not met over the next 10 years)

At the appropriate place, insert the following:

SEC. ____ ENSURING DEBT REDUCTION.

(a) TRIGGER.—

(1) IN GENERAL.—Notwithstanding any other provision of this Act or any other law, the effective date of a provision of law described in paragraph (2) shall be delayed as provided in paragraph (3).

(2) PROVISION DESCRIBED.—A provision of law described in this paragraph is—

(A) a provision of this Act that takes effect in fiscal year 2005 or 2007 and results in a revenue reduction; or

(B) a provision of law that—

(i) is enacted after the date of enactment of this Act; and

(ii) takes effect in fiscal year 2005 or 2007 and causes increased outlays through mandatory spending.

(3) **DELAY.**—If, on September 30 of 2004 and 2006, the Secretary of the Treasury determines that the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 will be exceeded in the fiscal year beginning October 1 of the following year, the effective date of any provision of law described in paragraph (2) that takes effect during that fiscal year shall be delayed by 1 calendar year.

(4) **DISCRETIONARY SPENDING LIMITATION.**—Notwithstanding any other provision of law, in any fiscal year subject to the delay provisions of paragraph (3), the amount of discretionary spending in each discretionary spending account shall be the level provided for that account in the preceding fiscal year plus an adjustment for inflation.

(5) **REPORTS TO CONGRESS.**—On July 1 and September 5 of 2003 and 2005, the Secretary of the Treasury shall report to Congress the estimated amount of the debt held by the public for the fiscal year beginning on October 1 of that year.

(6) **CONGRESSIONAL ACTION.**—

(A) **TRIGGER.**—

(i) **MODIFICATION.**—In fiscal year 2005 or 2007, if the level of debt held by the public for that fiscal year would be below the level of debt held by the public for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 due to the provisions of paragraph (3) and (4), any Member of Congress may move to proceed to a bill that would make changes in law to increase discretionary spending and direct spending and increase revenues (proportionately) in a manner that would increase the debt held by the public for that fiscal year to a level not exceeding the level provided in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985. The motion to proceed shall be voted on at the end of 4 hours of debate. A bill considered under this clause shall be considered as provided in section 310(e) of the Congressional Budget Act of 1974 (2 U.S.C. 641(e)). Any amendment offered to the bill shall maintain the proportionality requirement.

(ii) **WAIVER.**—The delay and limitation provided in paragraphs (3) and (4) may be disapproved by a joint resolution. A joint resolution considered under this clause shall not be advanced to third reading in either House unless a motion to proceed to third reading is agreed to by three-fifths of the Members, duly chosen and sworn.

(B) **OTHER FISCAL YEARS.**—

(i) **IN GENERAL.**—In fiscal year 2003, 2005, 2007, 2008, 2009, or 2010, if the level of debt held by the public for that fiscal year would exceed the level of debt held by the public for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985, any Member of Congress may move to proceed to a bill that would defer changes in law that take effect in that fiscal year that would increase direct spending and decrease revenues and freeze the amount of discretionary spending in each discretionary spending account for that fiscal year at the level provided for that account in the preceding fiscal year plus an adjustment for inflation (all proportionately) in a manner that would reduce the debt held by the public for that fiscal year to a level not exceeding the level provided in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985. The motion to proceed shall be voted on at the end of 4 hours of debate. Any amendment offered to the bill shall either defer effective dates or freeze discretionary spending and maintain the proportionality requirement.

(ii) **CONSIDERATION OF LEGISLATION.**—A bill considered under clause (i) shall be considered as provided in section 310(e) of the Congressional Budget Act of 1974 (2 U.S.C. 641(e)).

(b) **PUBLIC DEBT TARGETS.**—The Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in section 250(c)(1), by inserting “‘debt held by the public’” after “‘outlays,’”; and

(2) by inserting after section 253 the following:

“SEC. 253A. DEBT HELD BY THE PUBLIC LIMIT.

“(a) LIMIT.—The debt held by the public shall not exceed—

“(1) for fiscal year 2002, \$2,955,000,000,000;

“(2) for fiscal year 2003, \$2,747,000,000,000;

“(3) for fiscal year 2004, \$2,524,000,000,000;

“(4) for fiscal year 2005, \$2,279,000,000,000;

“(5) for fiscal year 2006, \$2,011,000,000,000;

“(6) for fiscal year 2007, \$1,724,000,000,000;

“(7) for fiscal year 2008, \$1,418,000,000,000;

“(8) for fiscal year 2009, \$1,089,000,000,000; and

“(9) for fiscal year 2010, \$878,000,000,000.

“(b) ADJUSTMENTS TO DEBT TARGETS FOR INABILITY TO REDEEM.—

“(1) IN GENERAL.—The debt held by the public targets may be adjusted in a specific fiscal year if the Secretary of the Treasury certifies that the target cannot be reached because the Department of the Treasury will be unable to redeem a sufficient amount of securities from holders of Federal debt to achieve the target.

“(2) CERTIFICATION.—The certification shall—

“(A) be transmitted by the President to Congress;

“(B) outline the specific reasons that the targets cannot be achieved and the estimated amount of excess reserves that will accumulate due to an inability of the Treasury to redeem Federal debt; and

“(C) not be the result of a lack of surplus revenues being available to redeem debt held by the public.

“(3) CONGRESSIONAL ACTION.—The adjustment provided in this subsection may be disapproved by a joint resolution. A joint resolution considered under this paragraph shall not be advanced to third reading in either House unless a motion to proceed to third reading is agreed to by a majority of the whole body.”

(c) CONGRESSIONAL BUDGET PROCESS.—

(1) POINT OF ORDER.—Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“(j) DEBT HELD BY THE PUBLIC POINT OF ORDER.—It shall not be in order in the Senate to consider any bill, joint resolution, amendment, motion, or conference report that would—

“(1) increase the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985; or

“(2) provide additional borrowing authority that would result in the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 being exceeded.”

(2) SUPERMAJORITY WAIVER AND APPEAL.—Subsections (c)(1) and (d)(2) of section 904 of the Congressional Budget Act of 1974 are amended by striking “305(b)(2),” and inserting “301(j), 305(b)(2).”

(3) ADDITIONAL AMENDMENTS TO THE BUDGET ACT.—The Congressional Budget Act of 1974 is amended—

(A) in section 3, by adding at the end the following:

“(11)(A) The term ‘debt held by the public’ means the outstanding face amount of all debt obligations issued by the United States Government that are held by outside inves-

tors, including individuals, corporations, State or local governments, foreign governments, and the Federal Reserve System.

“(B) For the purpose of this paragraph, the term ‘face amount’, for any month, of any debt obligation issued on a discount basis that is not redeemable before maturity at the option of the holder of the obligation is an amount equal to the sum of—

“(i) the original issue price of the obligation; plus

“(ii) the portion of the discount on the obligation attributable to periods before the beginning of such month.”;

(B) in section 301(a) by—

(i) redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively; and

(ii) inserting after paragraph (5) the following:

“(6) the debt held by the public; and”; and

(C) in section 310(a) by—

(i) striking “or” at the end of paragraph (3);

(ii) by redesignating paragraph (4) as paragraph (5); and

(iii) inserting the following new paragraph;

“(4) specify the amounts by which the statutory limit on the debt held by the public is to be changed and direct the committee having jurisdiction to recommend such change; or”.

Mr. BAYH. Mr. President, I also ask unanimous consent that I be permitted to modify my amendment prior to the vote in relation to the amendment on Monday. Let me assure the managers that this modification will not substantially change the effect of the amendment. It is to make some minor technical corrections to the current draft.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. BAYH. Mr. President, I yield the floor to my colleague from the great State of Maine and, in doing so, would like to thank her for her courage and steadfast support of this amendment. Without her support, we would not be where we are today.

The PRESIDING OFFICER. The Senator from Maine.

Ms. SNOWE. Mr. President, I thank the Senator from Indiana for his leadership on an issue in which we share a mutual goal that we wish to advance and address in this Congress with respect to this legislation. I thank him for his commitment and persistence in bringing this to the attention of our colleagues in the Senate and in the Congress.

Mr. President, the amendment we are offering today in conjunction with our colleagues is on a bipartisan basis. In fact, Senator BAYH and I have worked together since early March in addressing this issue, in which 11 of our colleagues have offered this legislation with us, to address the potential for ensuring that surplus projections are realized over the next 10 years with respect to this tax package, as well as all the other spending proposals that will be considered by this Congress and future Congresses.

This legislation really came to us as a result of Chairman Greenspan's testimony back in January before the Senate Budget Committee. I think all of us

understand—and Senator BAYH and I have had many conversations in this respect—that we want to ensure that our hard-fought effort to eliminate deficits and buying down the debt is not undone because our current surplus projections do not materialize in the future.

That is why this amendment specifically will establish a trigger, based on the recommendations that were proposed by Chairman Greenspan, that links the tax cuts and spending increases to actual fiscal outcomes over the next 10 years.

The bottom line is, it is absolutely imperative that we make tax relief and spending increases work, not only for American families but also for the future well-being of this country.

We have a projection of \$5.6 trillion in surpluses over the next 10 years. Those are projections that have been made by the Congressional Budget Office. We have an obligation to be responsible stewards of that surplus so we can address a variety of pressing national needs.

We are setting aside money for prescription drugs, an issue just mentioned in this Chamber. We are setting aside money for education which we are also concurrently debating in the Senate. We are also setting aside money to bring down the debt over the next 10 years so we can reduce the debt and, indeed, eliminate the national debt. We are also setting aside all the surpluses that belong to the Social Security as well as the Medicare trust funds. We also understand that these burgeoning surpluses are predicated on certain assumptions upon which the tax cuts as well as our spending policies are being developed. We have no idea whether or not these surpluses are going to materialize over the next 10 years.

While undoubtedly these projections are predicated on some very sound assumptions and the best available economic and budgetary estimates, the fact is they just happen to be estimates. Indeed, if the past is prologue, there is a 50-percent chance that CBO's projection of a surplus over the next 5 years will actually miss the mark by more than 1.8 percent of the GDP. That is \$245 billion in the fifth year alone, with an estimated on-budget surplus in 2006 of over \$276 billion which includes a surplus in the Medicare trust fund of \$44 billion. The impact of such an error would be disastrous as Congress would be forced to dip into the Medicare surplus in that year alone, even absent any changes in tax and spending policies.

It also bears noting, as it shows on this chart I have behind me of the 10-year projection, nearly two-thirds of the projected surplus will not accrue until after the fifth year. In fact, only \$2 trillion, or 36 percent of the surplus, will accrue over the coming 5 years, while 64 percent of the surplus will materialize in the final 5 years. So if surpluses prove to be substantially lower

in the fifth year alone, the impact on subsequent years will likewise be substantial.

Any long-term cuts in spending policies premised on the higher estimates could quickly force us to use our Social Security surpluses, put our budget back in the red, or use Medicare surpluses, all of which are not options available to this Congress or future Congresses.

That is why we came to this point in terms of developing a trigger mechanism: How best do we address this problem in a most prudent fashion. That is why I commend the Senator from Indiana and the Senator from Michigan, who is here, an ardent supporter of making sure we adhere to these surpluses and these projections over the next 10 years, as any State in the country has to do with their constitutional amendments to balance the budget.

In fact, many of us have been ardent supporters of a constitutional amendment to balance the budget. We did so and thought so because we knew we had to adhere to a bottom line. So our principle is very simple. We are saying that in the years 2004 and 2006, we will have to take a window, we will have to look at whether or not we are adhering to our debt reduction goals.

In the event the Secretary of the Treasury indicates that we will not meet those goals in the years 2005 and 2007, then Congress obviously will have to take immediate action to cut back, to stop the next phase of the tax cut or the next phase of spending increases over the rate of inflation.

We have laid out the debt targets. They are laid out in this amendment, according to the Congressional Budget Office economic outlook. We make sure we have the ability to respond to the Secretary of the Treasury's report that will be made initially in July and then immediately after Labor Day on the status of our progress towards achieving this debt reduction goal for the year. If the Secretary reports that the goal will not be met, Congress will then know, very clearly, that steps must be taken to get us back on track.

As I said, if the debt targets are not met in the years 2005 and 2007, the scheduled phase-in of the new tax cuts and the mandatory spending, which is additional mandatory spending, new phased-in discretionary spending above the rate of inflation will be delayed for 1 year or until the target is met in future years.

In all of the other years in this 10-year window, we will have what is called the midcourse correction review. Again, it will give us the opportunity to analyze our progress made towards debt reduction, ensuring that we are still on track each and every year for the specified targets that will be laid out in this amendment, the ones that have been established in the Congressional Budget Office report for each and every year.

In the event that any Member of the House or Senate chooses to raise a

privileged motion to address the spending for the next year or mandatory spending or the new tax cuts, they will have a privileged resolution on the floor of the House for consideration. And amendments can be offered to adjust, during the course of the midcourse correction review, the tax cut and spending that would be adjusted. Any subsequent amendment of that kind would have to be proportionate so that it could not be adjusted just from the tax cut side of the equation or just from spending alone.

We think this is an effective mechanism because it gives us an opportunity to be able to analyze, as any business does in this country, any family does, any State that has to abide by its constitutional requirements to balance the budget, as to whether or not we are proceeding on track with the surpluses, with these projections, and with the debt reduction. It will give us the opportunity in 2 of the years over the next 10 years for an automatic trigger in which we will have the opportunity to respond to the next phase-in of a tax cut or new spending policies.

It is not a retroactive tax increase, as many have said. We are not going to be doing anything retroactive either with respect to spending or with tax cuts. It would all be prospective. It gives us an ability to look forward to make sure we are being prudent so we do not repeat the past with respect to deficits in accruing the kind of national debt that has been a burden to this country.

As I said, I hope my colleagues who worked so hard over the years for the passage of a constitutional amendment to balance the budget will see this as an effort to maintain similar fiscal responsibility. We cannot afford to see the hard work that went into reaching the desired goal of balancing the budget that we have made a reality today be undone by the adoption of either tax or spending policies that are allowed to move forward unchecked.

For those who believe that the assumptions on which this budget and this specific tax bill are based are sound, the trigger poses no threat as it would never be turned on.

May I ask the Senator for additional time?

Mr. BAYH. Yes, absolutely.

The PRESIDING OFFICER. Is the Senator asking to use Senator Bayh's time? The Senator's 10 minutes allotted from the Senator from Indiana have expired.

Mr. GRASSLEY. If we want to speak and raise any questions, that is the only time we have.

The PRESIDING OFFICER. The Senator from Indiana may yield time.

Mr. BAYH. I am happy to yield time to my colleague from Maine.

Ms. SNOWE. I appreciate the time of the Senator from Indiana. I will defer and wait towards the end. I thank the Senator.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. BAYH. Mr. President, I again thank my colleague from Maine who so eloquently outlined the case for this amendment. I am grateful to her and others on her side of the aisle who have joined with us in this cause. It is truly a bipartisan effort in an institution that all too often is characterized by too much partisanship and divisiveness.

I thank my colleague, Senator STABENOW from Michigan, from whom we will hear in a few moments, who has been a steadfast supporter of fiscal responsibility in this effort.

I also echo what Senator SNOWE mentioned, that Alan Greenspan, Chairman of the Federal Reserve, endorses this approach. The Concord Coalition, one of the foremost institutions dedicated to fiscal responsibility and rectitude, endorses this initiative. The Progressive Policy Institute, also dedicated to sound economic policies and fiscal policies, endorses this approach.

I rise because I support tax cuts. I rise because I support tax cuts that are fiscally responsible, that do not put our Nation on a path to return to the days of debt and deficit from which we have so recently extricated ourselves.

I support tax cuts that accommodate our other important priorities, especially Social Security and Medicare, ensuring that our Nation will keep that commitment to our parents and our commitment to our children that we will fulfill our own obligations in supporting the retirement system of our parents and grandparents.

I support tax cuts that honor our Nation's most cherished enduring values: thrift, personal responsibility, self-reliance, and not asking our children to pay the bills that we today incur, but, instead, taking care of our own obligations.

That is why I, along with my colleagues on both sides of the aisle, am honored to support this amendment. This amendment will put tax cuts—meaningful tax cuts—for the American people into place immediately and irrevocably. It will pay down the debt more rapidly than the approach suggested by the administration and the one reported from the committee. This amendment dedicates the surpluses in Social Security and Medicare trust funds to the cause of debt reduction, thereby not only paying down the Nation's debt more rapidly, but ensuring the integrity and solvency of Social Security and Medicare.

This amendment will strengthen our economy by paying down the debt more rapidly, to keep interest rates low, investment and productivity growth high, perpetuating the virtuous cycle of the last several years that has seen unprecedented economic expansion across our country—22 million new jobs and 2 million new businesses.

I have supported tax cuts throughout my career, first as Governor, signing the largest tax cut in the history of our State; and I have previously supported tax cuts in this body. Indeed, I can sup-

port the tax cuts before us. I speak not only for myself but for many Americans when I say the uncertainty inherent in 10-year projections disturbs me because it raises a very real and present danger of returning to sizable debts and deficits.

This would be a great problem for our country. It is something I believe we must address in a responsible way if we are going to have tax cuts that truly serve all of the priorities of the American people. The approach we have suggested is a commonsense approach. In the early years, when the surpluses are most reliable, the tax cut will go into effect immediately and be irrevocable. In future years, we will ensure the surplus that makes the tax cuts possible actually materializes, and that we don't dip into Social Security or Medicare, jeopardizing those systems, to make the tax cut possible. That needs to be our top priority.

Again, we need to remind ourselves of the inherent uncertainty in 10-year projections. As the Secretary of the Treasury, Mr. O'Neill, suggested, 10-year projections "aren't worth the paper they are written on." And they are not. We owe it to the American people to take prudent steps to ensure the actions we take today, in fact, lead to the results that we promise tomorrow.

Finally, two brief observations. Let me counter some of the criticisms offered with regard to our approach. First, the issue of uncertainty. In fact, a trigger amendment in the tax cut creates greater certainty. It creates greater certainty in the bond market by ensuring that interest rates can be low because the debt will actually be paid down and deficits will not return.

There was a headline in the Wall Street Journal Friday saying that interest rates were beginning to rise because of concern that we might return as a nation to the time of deficits again. The trigger creates greater certainty by ensuring that we do not return to deficits and thereby reassures the bond market. It also ensures that we won't have future tax increases—one of the greatest causes of uncertainty that we can have.

Following the tax cut of 1981, we had six separate tax increases in this country for the American people. That is real uncertainty. A trigger amendment will avoid that. As my colleague from Maine suggested, there is nothing in the trigger amendment that will lead to a tax increase. On the contrary, the phases of the tax cut that go into effect, because we can afford them, will be irrevocable. There is nothing that will repeal any tax cuts that have been put into place in this trigger amendment. On the contrary, it merely delays future phases of tax cuts until the surpluses that make them possible arrive.

The only counterargument to that would be to suggest that we dip into Social Security and Medicare to pay for tax cuts—something I am sure the

majority of my colleagues do not support.

This will not go into effect should we run the risk of entering a recession. First of all, the greatest risk of deficits and a return to debt is not that we have a significant recession, but that estimates are merely wrong and the errors compounded over a 10-year period lead to a sizable error in our projections. For example, a mere four-tenths of 1 percent difference in GDP and productivity growth would lead to a trillion-dollar difference in the surplus estimates, running a real risk of returning to deficits and increasing the national debt.

In case we do face the prospect of a recession, we have included a provision that would waive the trigger in the event the blue-chip forecast of the most prominent private sector economists predicts 4 consecutive months where the growth rate in this country will slow to an unacceptable level.

Finally, regarding criticisms, let me say that this does not favor spending at the expense of tax cuts. On the contrary, as my colleague from Maine so ably pointed out, spending increases are held to the rate of inflation—half the rate of spending increases contained in the budget bill voted on last week, and much lower than rates in increased spending in recent years. If this had been the fact, spending would be much lower than today.

Let me conclude by saying this. Let us go forward and enact significant tax relief for the American people. Let us enact this tax relief in a way that is fiscally responsible and would hold sure that our children and grandchildren do not live to rue the day of unintended errors that we made that could have been avoided. Let us enact these tax cuts in ways to preserve Social Security and Medicare. Let us enact these tax cuts in ways that will be true to the enduring values of self-reliance and self-sufficiency that have always made our Nation great.

Finally, let me say we must learn the lesson of history. The last time this Chamber was called upon to make decisions of this magnitude, we, frankly, didn't do a very good job. The decisions that were made and the votes that were cast led to the largest deficits in the history of our country, the largest increase in the national debt in the history of our country, to a lower rate of economic growth and a lower standard of living for the American people. Let that not happen again.

This amendment and the fiscal responsibility that it will bring to these tax cuts will ensure that all of the elements of prosperity for the American people will be put into law and that, it seems to me, is our responsibility.

I will now be pleased to yield to my colleague and friend from the great State of Michigan, Senator STABENOW, who has been a steadfast supporter of this effort. She is new to this body, but she is already making a tremendous impact.

Ms. STABENOW. Mr. President, I thank my colleagues, Senator BAYH and Senator SNOWE, for their leadership on this important issue. We joined together back in the beginning of March with colleagues on both sides of the aisle to come together and lay out the concept that had been presented in the Budget Committee by Chairman Alan Greenspan. Both Senator SNOWE and I have the opportunity to serve on that committee, and we heard the chairman talking about the need to, in some way, phase in tax cuts as we continued to pay down the debt. He cautioned us that we should maintain our focus on paying down the debt and fiscal responsibility and, if we did it right, we could do both; we could pay down our debt, we could protect Social Security and Medicare by doing it, and we could provide meaningful tax relief.

After listening to him and being a part of that process, I was pleased to join with my colleagues in working to put together an approach that puts into place the guarantees for fiscal responsibility, protecting Social Security and Medicare, and ensuring that we maintain the track we are on economically as a country, which has brought us to this wonderful time of low interest rates, low unemployment, opportunity for our workers, our small businesses, our farmers, and all of our families who have benefited from the last 8 years of prosperity.

As Senator BAYH was speaking about not returning to the past, I thought about when I was in Michigan as a State legislator in the time of the 1980s and we went through some extremely difficult times. Michigan is one of those States where if someone sneezes across the country, we get a big cold, because the fact is, we had high unemployment, high interest rates, and deficits at the State as well as the national level. Many tough decisions were made to get us to this point.

I was honored in 1997 to be in the U.S. House of Representatives and cast a vote to balance the budget. I know there were those who came before me who had to make very difficult decisions to get us to that point.

I believe it is my responsibility and urge all of us to join together in accepting the responsibility of maintaining the fiscal course we are on—fiscal responsibility and guaranteeing that we do not use the Medicare and Social Security trust funds for either spending or tax cuts.

This particular proposal will put in place the mechanisms to guarantee that does not happen. The tax cuts proceed, the phase-ins proceed unless we find we are dipping into Medicare and Social Security to pay for them or for spending. We are saying it does not matter what Social Security and Medicare are used for; if it is not for Medicare or Social Security, it is not OK.

This trigger puts in place the mechanism to guarantee we continue to pay down our debt, that we are, in fact, keeping the promise of Medicare and

Social Security, and that we are providing tax relief in a responsible way.

I am very proud to have joined my colleagues. I joined Senators today in voting for tax relief. I have in the past throughout my time of public service, and I intend to do that again, but I also intend to make sure that whatever I am doing in terms of my votes, I keep first and foremost the value of fiscal responsibility at the forefront and that I am keeping the promise of Medicare and Social Security as we do that.

If, in fact, we do not take the time to pay down our national debt, about which we have all been talking for so many years, if we do not take this time to eliminate as much of that debt as possible so that our children do not have to bear that burden in the future, then when will we? If we do not do it during this opportunity of fiscal surpluses, when will we?

I urge my colleagues to join us. The bipartisan amendment that is before us is one that I hope we will enact.

The PRESIDING OFFICER. The Senator's time has expired.

The Senator from Montana.

Mr. BAUCUS. Mr. President, we do not have a lot of time, so I cannot go into great detail. I believe we have 5 minutes; is that correct?

The PRESIDING OFFICER. That is correct.

Mr. BAUCUS. Mr. President, with all due respect to my very good friends, this is an uncertainty layered upon an uncertainty. The uncertainty is whether the surplus target will be met. The uncertainty layered on top of the uncertainty is whether the trigger will be pulled.

We cannot legislate certainty. We can only exercise good judgment. We, as a Congress, in these next years, have to decide what to do according to the circumstances at the time and exercise good judgment as to what we should do.

Unfortunately, nobody has discussed the substance of this amendment. It is because we are in this time constraint where everything is rushed, and we are in message amendment time. Nobody has looked at the substance. There have been no hearings on this.

Let me tell you what this thing does. I am all in favor of the intent, but if this is enacted, we are making a mockery of the Congress—a mockery. First, you cannot and should not limit public debt management. The Treasury Secretary has to have discretion in debt management. Right off the top, we are tying the hands of the Treasury Secretary, for whatever reason he or she may want to borrow more, sell more securities, sell more bonds for domestic reasons or for international reasons.

Secretary Rubin has said consistently that we should not tie debt management to fiscal policy. You should not do it. It is wrong.

I understand why the Senator from Indiana is offering this amendment, and I understand why the Senator from Maine is offering the amendment.

Let me talk about the uncertainties in this amendment. I do not know if Senators know what is in the amendment. This amendment essentially provides—I will summarize it—scheduled debt reduction targets, in even numbered years, and the Treasury Secretary will certify whether these targets are being met.

If they are not being met, then what happens? What is triggered is that reductions in taxes are automatically stopped, the growth rates for discretionary spending are automatically held at the rate of inflation, and entitlement spending increases are automatically stopped.

What about a Medicare drug benefit? I heard that entitlement increases will be stopped. No, I will stand corrected because I see the Senator from Indiana shaking his head. But the way it is drafted, new entitlement spending, as I understand it, is included in the trigger. But I stand to be corrected if that is not the case, but that is how I read this amendment now.

What happens in odd-numbered years? Things are not automatic. But any Member can stand up in this Chamber and say the targets have not been met and set a trigger process in motion. Boy, is that uncertainty.

Do we really want to tie our hands like that? Do we want to limit our discretion in future years as to what is best by putting this automatic provision in the law? Do we want to tie the hands of our Treasury Secretary in debt management? Do we really want to do that? What are other countries going to think watching us do this?

Talk about the steepness of the yield curve. Why is the yield curve steep? It is steep because the bond market today believes in the outyears that interest rates are going to rise. Why? Because the Federal Reserve has just lowered interest rates by 50 basis points. And because this tax cut is going to pass. The market thinks there is going to be growth because of the stimulus of this tax cut and because of the lowering of short-term interest rates. As a result, the market believes there will be inflation in the outyears; therefore, long-term interest rates are going to be higher. That is what is going on.

And I will tell you something else. The markets will not believe a trigger which is not real. This is not real. This is a message amendment. It is a message amendment. It is not real legislation. We should not be standing here—I am getting tired of message amendments, Mr. President. I want to legislate. I do not want to give messages. I want to legislate, and this is a message amendment. It is not legislation, serious legislation. I believe we should not adopt it.

Mr. GRASSLEY. Mr. President, Senators BAYH and SNOWE have a sincere concern over the long-term fiscal situation of the country.

The fiscal discipline of the country's budget is important. I share that goal—fiscal discipline first. The budget

approved by a bipartisan majority of the Congress meets the test of fiscal discipline.

The trigger is unwise because it undermines the long-term stimulative effect of the tax cut. It makes the tax cut uncertain.

The trigger is unnecessary because the pattern of the tax cut follows the pattern of the projected surplus.

The lion's share of the revenue loss occurs after 5 years.

Finally, if things go south on the projections, you can be sure Congress will raise taxes:

Over the last 20 years we have raised taxes in 1982, 1984, 1990, and 1993. Only twice has Congress pushed through a tax cut that became law—1981 and 1997.

Conditional tax cuts are not desirable—they do not stimulate workers, investors, and businesses behavior. Let us have certainty in tax relief. The American people, who are taxed at record post war levels, deserve no less.

The PRESIDING OFFICER. All time has expired.

Under the previous order, the Senator from Iowa, Mr. HARKIN, is to be recognized.

The Senator from Maine.

Ms. SNOWE. Mr. President, I ask unanimous consent for an additional 10 minutes on this amendment.

The PRESIDING OFFICER. Is there objection?

Mr. BAUCUS. Mr. President, I do not think I can agree to that unless there is an equal opportunity to respond.

Ms. SNOWE. If there is no objection.

Mr. BAUCUS. Also, we have a lot of other amendments lined up this evening, and I do not know whether those Senators really want to move to their amendments or not. There was a time agreement. I see Senator LANDRIEU is here. Senator LANDRIEU may want to offer her amendment at this time.

Ms. LANDRIEU. Mr. President, I do intend to offer my amendment, but I will be happy to wait for a few moments, so I have no objection.

The PRESIDING OFFICER. The Senator in the Chair has some concern about extending the evening considerably longer. There are about 2 hours of debate remaining.

Mr. BAUCUS. Mr. President, I ask consent that 5 additional minutes be evenly divided on this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Ms. SNOWE. I thank the Senator from Louisiana for her consideration.

I address several of the issues raised by the ranking member, Senator BAUCUS, with respect to this trigger mechanism. I think they are important issues. I remember so often during my 16 years in the House of Representatives where we had to have a vote every year to raise the debt ceiling before we could move further in additional spending. I can also recall the number of times that was postponed.

I am not suggesting that is what we should do. The Secretary of the Treas-

ury has considerable flexibility. In fact, we have these established debt reduction targets, ones that come out from the CBO. They are targets to be adhered to by the Secretary of the Treasury and give the flexibility to reduce further debt and be able to redeem that debt and also, in the mid-course correction, it gives Members the ability to raise the issues. But it would be upon a vote of the House and the Senate before any other changes could occur.

This does provide a measure of certainty that is very critical to ensure we stay on track. That is what a balanced budget is all about. We make the adjustments each and every year. I hope we intend to make those adjustments each and every year in the event our debt reductions are not met. That is what this trigger is all about.

Mr. President, the bottom line is that we need to make tax relief and spending increases work—not only for American families, but for the future economic health and well-being of this nation. With a \$5.6 trillion surplus projected by CBO for the next ten years, we have an obligation to be responsible stewards of that surplus, so that we can seize the opportunity to address a variety of pressing national needs like buying-down the debt, increasing funding for shared priorities like education and health care, and providing meaningful tax relief as this tax bill provides.

At the same time, we need to be sure that the burgeoning surplus assumptions on which our tax cut and spending decisions are made actually materialize—not disappear as quickly as they materialized. Because while the projected surplus is undoubtedly based on the best available economic and budget estimates, they are still just that—estimates.

Indeed, if past is prologue, there is a 50 percent chance that CBO's projection of the surplus only five years from now will miss the actual mark by more than 1.8 percent of GDP—that's \$245 billion in the fifth year alone. With an estimated on-budget surplus in 2006 of only \$267 billion—which includes a surplus in the Medicare HI Trust Fund of \$44 billion—the impact of such an error would be disastrous, as Congress would be forced to dip into the Medicare surplus in that year alone, even absent any changes in tax or spending policies today.

It also bears noting that for the ten year projections, nearly two-thirds of the projected surplus will not accrue until after the fifth year. In fact, only \$2 trillion—or 36 percent—of the surplus will accrue over the coming five years, while 64 percent—or \$3.6 trillion—will materialize in the final five years. If surpluses prove to be substantially lower in the fifth year alone, the impact on subsequent years would likewise be substantial—and any long-term tax cuts and spending increases premised on the higher estimates could quickly force us to use Social Security

surplus or even put the budget back "in the red."

Given CBO's acknowledged potential for error—and the devastating impact it would have on our surpluses—I believe we should follow the advice that Federal Reserve Chairman Alan Greenspan gave the Budget Committee on January 25. Specifically, Chairman Greenspan stated:

In recognition of the uncertainties in the economic and budget outlook, it is important that any long-term tax plan, or spending initiative for that matter, be phased in. Conceivably, it could include provisions that, in some way, would limit surplus-reducing actions if specified targets for the budget surplus and federal debt were not satisfied.

In fact, in response to Chairman Greenspan's recommendation, I joined Senator BAYH, Senator TORRICELLI, and eight other bipartisan colleagues in crafting and introducing a bipartisan resolution that outlined the principles of a "trigger" mechanism that would be based on Chairman Greenspan's advice.

Specifically, our principles included the fact that, pursuant to Chairman Greenspan's advice, tax cuts and spending increases adopted during the 107th Congress should include a trigger mechanism that links the phase-in of these proposals to actual fiscal outcomes. Furthermore, we stated that the trigger should outline specific legislative or automatic actions that shall be taken if specific levels of public debt reduction are not achieved, and should only be applied prospectively—not repeal or cancel any previously implemented portion of a tax cut or spending increase.

Mr. President, the amendment we are offering today turns those bipartisan principles into an actual legislative mechanism. Specifically, it creates an automatic trigger mechanism that links the phase-in of new tax cuts and new spending to debt reduction goals in 2004 and 2006. In addition, it includes a "Mid-Course Correction" mechanism that ensures the Congress has both an incentive—and an expedited means—to get back on track during all other years in which the debt reduction targets are missed.

First, the amendment lays out debt targets that must be achieved at the close of upcoming fiscal years. These targets—which are taken directly from CBO's "Budget and Economic Outlook" report issued in January—assume that the Social Security and Medicare HI Trust Fund surpluses are used for debt reduction.

Besides laying out debt targets for the end of each fiscal year, it also requires that the Secretary of the Treasury make additional reports to the Congress—on both July 1 and the first Tuesday after Labor Day (when Congress returns from the August recess)—on the status of our progress toward achieving the debt reduction goal for the year. If the Secretary of the Treasury reports that the goal will not be met, Congress will know that steps must be taken to get back on track.

Next, the amendment creates the automatic “trigger” that links the phase-in of tax cuts, mandatory spending, and discretionary spending to the achievement of the debt reduction goals in 2004 and 2006.

If the debt targets are not met, then—at the start of the following fiscal year (2005 or 2007)—the scheduled phase-in of tax cuts would be delayed for one year, or until the target is met in a future year. Of importance, this tax trigger—if implemented—would in no way lead to a tax increase. Rather, it would simply delay the next scheduled phase-in of any tax cuts that included a phase-in during those years.

In the same manner, the phase-in of new mandatory spending programs would be delayed, with no impact on any provision that had already been implemented.

[Of note, based on the package before us, the tax cuts that would be affected by the trigger would include the phase-in of marginal rate reductions (2005 and 2007); the per child tax credit (2007); marriage penalty relief (2007); and estate tax rate relief (2007). Because no new mandatory spending programs have been enacted this year, there would be no impact on such programs—at least at this time.]

In addition, the trigger would hold discretionary spending at the level of the previous year, adjusted for no more than the rate of inflation.

Why allow for growth with inflation? Put simply, these programs—which include education, defense, and health—are funded on an annual basis. In contrast, mandatory spending—such as the Social Security and Medicare programs—is not controlled on an annual basis and can fluctuate from year-to-year depending on how many individuals are eligible for the program, the rate of inflation, and other factors. When considering the critical importance of many discretionary spending programs, we should ensure that these programs are treated no worse than mandatory spending. By simply allowing them to grow with inflation, we are at least ensuring that the benefit of these programs is not eroded simply due to a rise in the cost of living.

Ultimately, if the combined impact of stopping the phase-in of tax cuts and mandatory spending, and of holding discretionary spending to the rate of inflation, is more than is necessary for meeting the debt reduction goal, the impact can be mitigated through the consideration of legislation that would lessen the impact. To ensure that tax cuts and spending are treated equally, such legislation must increase tax cuts and overall spending in a proportionate manner, and any amendments to the legislation must maintain this balance.

The amendment also includes a “Mid-Course Correction” mechanism that would be available to the Congress in all other years that the debt reduction targets are not met.

Specifically, if the debt reduction target is not met at the end of a fiscal

year—or the Treasury Secretary reports in July or September that the debt reduction target will likely not be met—any member of the House or Senate would have the ability to call up privileged legislation that would immediately block all scheduled phase-ins of tax cuts and new mandatory spending for the coming year, and hold overall discretionary spending at the rate of inflation over the previous year’s funding level. During the floor consideration of the legislation, amendments could be offered to adjust the impact of the Mid-Course Correction legislation if it would generate more savings than are necessary, but such amendments must affect tax cuts and overall spending in a proportionate manner.

Ultimately, it will be up to the Congress and the President to decide if Mid-Course Correction legislation will be passed and enacted—and it will also be on their shoulders to explain why they did not act in the face of debt reduction targets not being achieved. Ultimately, if Congress continually ignores violations of the debt reduction targets during these years, the automatic “trigger” in years 2005 and 2007 will almost inevitably be enforced.

As with the Mid-Course Correction, this amendment also allows provides for the consideration of privileged legislation that would make adjustments to the automatic trigger if its impact would be more severe than is necessary. In the same manner, amendments to adjust the trigger’s impact would need to ensure that a proportionate balance is retained between tax cuts and spending.

In response to concerns that a trigger may actually lead to tax cuts and spending being turned off at the “wrong time”—such as during an economic downturn or national emergency—the amendment would allow the House and Senate to waive the trigger with a three-fifths vote at any time, just as the requirements of the Balanced Budget Amendment would have been waived with a supermajority vote. And if we are actually in the throes of a recession or a declaration of war is in effect, the trigger would be waived with a mere majority vote—a margin that would be easily attainable.

Finally, in deference to the fact that there are legitimate differences of opinion about how quickly the publicly held debt can be redeemed, the amendment allows the debt targets to be adjusted in a given year if the Secretary of the Treasury certifies that the target cannot be reached because the Department of the Treasury will be unable to redeem a sufficient amount of securities from holders of federal debt to achieve the target.

Of note, such certification—which must be transmitted by the President to the Congress—must outline the specific reasons that the targets cannot be achieved, and the estimated amount of “excess reserves” that will accumulate due to an inability of the Treasury to

redeem federal debt. Under no circumstances would such a waiver be allowed if the reason for the shortfall is simply a lack of surplus revenues being available to redeem federal debt. And to ensure that “checks and balances” are maintained, Congress can override the decision of the Secretary of the Treasury with a majority vote.

Mr. President, just as the tax bill is the type of “insurance” that Chairman Greenspan recommended to lessen the impact of an economic downturn, I believe this amendment would serve as a critically needed “insurance plan” within this tax bill and in subsequent spending legislation. While I believe the surplus estimates on which our budget and this tax bill are based are sound, we simply cannot take the chance that our estimates will prove to be wrong or that future Congresses will over-utilize the surplus and imperil debt reduction.

Furthermore, I would hope that my colleagues who worked so hard over the years for the passage of a constitutional amendment to balance the budget would see this as a similar effort to maintain fiscal responsibility. We simply cannot afford to see the hard work that went into making the desired goal of the Balanced Budget Amendment a reality today be undone by the adoption of tax or spending policies that are allowed to move forward unchecked.

Ironically, for those who believe that the assumptions on which the budget and this tax bill are based are sound, the trigger poses no threat as it would never be turned on. Likewise, for those who are concerned about the assumptions, there is every reason to support the trigger as it would serve as a strong line of fiscal defense if today’s surplus estimates prove to be tomorrow’s “pipe dream.”

Nevertheless, I’m sure that some of my colleagues will simply argue that triggers are doomed to failure, and cite the Gramm-Rudman-Hollings deficit control mechanism as a case in point. I would argue that although some may dispute the value of the trigger, arguing that Gramm-Rudman-Hollings may not have been successful at reigning in deficits, it did serve as a strong incentive for Congress to control spending. In fact, discretionary spending grew at an average annual rate of eight percent leading up to Gramm-Rudman-Hollings, and only two percent in the five years after.

The bottom line is that I can’t think of any event that has ever had such a profound impact on congressional spending—short of the watershed Congressional elections of 1994—and I believe that this trigger could have the same profound impact both tax cuts and spending during the coming 10 years.

Mr. President, this amendment is just the type of fiscally responsible proposal that I believe the American people are hoping we in the Congress will embrace as we pursue tax cuts and spending increases in the months

ahead, and I urge my colleagues to support it accordingly.

Mr. BAUCUS. I have stated my reasons why I think this is not a good idea. I stand by what I said, on the entitlements, which is an additional reason why the provision isn't firm, to say the least. It is more than infirm; it is beyond infirmity.

I urge that the Senate not approve it. I yield back the balance of my time.

The PRESIDING OFFICER. Under the previous order, the Senator from Louisiana is recognized for 15 minutes.

AMENDMENT NO. 686

Ms. LANDRIEU. Mr. President, let me begin by sending an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Louisiana [Ms. LANDRIEU], for herself and Mr. CRAIG and Mrs. LINCOLN, proposes an amendment numbered 686.

Ms. LANDRIEU. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 18, between lines 14 and 15, insert the following:

SEC. 202. EXPANSION OF ADOPTION CREDIT AND ADOPTION ASSISTANCE PROGRAMS.

(a) IN GENERAL.—

(1) ADOPTION CREDIT.—Section 23(a)(1) (relating to allowance of credit) is amended to read as follows:

“(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter—

“(A) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

“(B) in the case of an adoption of a child with special needs, \$10,000.”.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137(a) (relating to adoption assistance programs) is amended to read as follows:

“(a) IN GENERAL.—Gross income of an employee does not include amounts paid or expenses incurred by the employer for adoption expenses in connection with the adoption of a child by an employee if such amounts are furnished pursuant to an adoption assistance program. The amount of the exclusion shall be—

“(1) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

“(2) in the case of an adoption of a child with special needs, \$10,000.”.

(b) DOLLAR LIMITATIONS.—

(1) DOLLAR AMOUNT OF ALLOWED EXPENSES.—

(A) ADOPTION EXPENSES.—Section 23(b)(1) (relating to allowance of credit) is amended—

(i) by striking “\$5,000” and inserting “\$10,000”,

(ii) by striking “(\$6,000, in the case of a child with special needs)”, and

(iii) by striking “subsection (a)” and inserting “subsection (a)(1)(A)”.

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(1) (relating to dollar limitations for adoption assistance programs) is amended—

(i) by striking “\$5,000” and inserting “\$10,000”, and

(ii) by striking “(\$6,000, in the case of a child with special needs)”, and

(iii) by striking “subsection (a)” and inserting “subsection (a)(1)”.

(2) PHASE-OUT LIMITATION.—

(A) ADOPTION EXPENSES.—Clause (i) of section 23(b)(2)(A) (relating to income limitation) is amended by striking “\$75,000” and inserting “\$150,000”.

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(2)(A) (relating to income limitation) is amended by striking “\$75,000” and inserting “\$150,000”.

(C) YEAR CREDIT ALLOWED.—Section 23(a)(2) (relating to year credit allowed) is amended by adding at the end the following new flush sentence:

“In the case of the adoption of a child with special needs, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final.”.

(d) REPEAL OF SUNSET PROVISIONS.—

(1) CHILDREN WITHOUT SPECIAL NEEDS.—Paragraph (2) of section 23(d) (relating to definition of eligible child) is amended to read as follows:

“(2) ELIGIBLE CHILD.—The term ‘eligible child’ means any individual who—

“(A) has not attained age 18, or

“(B) is physically or mentally incapable of caring for himself.”.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs) is amended by striking subsection (f).

(e) ADJUSTMENT OF DOLLAR AND INCOME LIMITATIONS FOR INFLATION.—

(1) ADOPTION CREDIT.—Section 23 (relating to adoption expenses) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

“(h) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(1)(B) and paragraphs (1) and (2)(A)(i) of subsection (b) shall be increased by an amount equal to—

“(1) such dollar amount, multiplied by

“(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in subparagraph (B) thereof.”.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs), as amended by subsection (d), is amended by adding at the end the following new subsection:

“(f) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(2) and paragraphs (1) and (2)(A) of subsection (b) shall be increased by an amount equal to—

“(1) such dollar amount, multiplied by

“(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in subparagraph (B) thereof.”.

(f) LIMITATION BASED ON AMOUNT OF TAX.—

(1) IN GENERAL.—Section 23(c) (relating to carryforwards of unused credit) is amended by striking “the limitation imposed” and all that follows through “1400C)” and inserting “the applicable tax limitation”.

(2) APPLICABLE TAX LIMITATION.—Section 23(d) (relating to definitions) is amended by adding at the end the following new paragraph:

“(4) APPLICABLE TAX LIMITATION.—The term ‘applicable tax limitation’ means the sum of—

“(A) the taxpayer’s regular tax liability for the taxable year, reduced (but not below

zero) by the sum of the credits allowed by sections 21, 22, 24 (other than the amount of the increase under subsection (d) thereof), 25, and 25A, and

“(B) the tax imposed by section 55 for such taxable year.”.

(3) CONFORMING AMENDMENTS.—

(A) Section 26(a) (relating to limitation based on amount of tax) is amended by inserting “(other than section 23)” after “allowed by this subpart”.

(B) Section 53(b)(1) (relating to minimum tax credit) is amended by inserting “reduced by the aggregate amount taken into account under section 23(d)(3)(B) for all such prior taxable years,” after “1986.”.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Ms. LANDRIEU. Mr. President, the amendment I propose has to do with the adoption tax credit. Before I get into the specifics of that amendment, I will make some general remarks about the previous amendment briefly, about the overall bill, and a few other points before I get into specifics of this amendment.

Let me congratulate my colleagues from Maine, Indiana, and Michigan, Senators SNOWE, BAYH, and STABENOW, for offering their amendment, which I am proud to be a cosponsor of, the trigger mechanism just presented to this body and explained so beautifully.

I want to add my voice to say that I intend to support that amendment. I think it will bring discipline to this process, it will bring some more certainty, and it will help us to stay the course of fiscal discipline which has served this country and this economy so well over the last 8 years.

To reiterate, it is not just giving us a caution about the tax cuts, but it is cautioning us about spending too much. I think that is a very good balance. The mechanisms have been worked out. Chairman Greenspan has indicated support of this concept. That debate will be left for another day, with more debate on Monday. I express my support.

Second, I express my compliments to the Senator from Iowa and the Senator from Montana for the way they have handled the debate. I especially appreciate the way the chairman has been open to listening to different ideas, to considering all as thoughtfully and as seriously as he could, given there would literally be 100 ways to write this bill. But we can only have one bill and all 100 Members have to have some input into shaping it. We could all write it our special way, but the fact is this body and our democracy mandates we do this together. It is not a simple process. I thank the chairman for his patience and the ranking member for his graciousness in listening to me on many issues, particularly this amendment.

Since I am not going to speak very long, I make a public comment and compliment also my colleague from North Dakota, Senator CONRAD, a member of the Finance Committee. He has been a tremendous leader in this whole debate. Although Members may

disagree with some of his positions, I think he has gained such respect in this debate, explaining these very complicated matters in ways people in my State, most certainly, have expressed to me, and I appreciate his efforts. I thank him publicly tonight for his hard work and dedication.

The amendment I send to the desk tonight is a very important amendment. This underlying tax reduction bill has some very good provisions in it. I mention a few. The refundability of the child tax credit and the doubling of the child tax credit is very important to the people of Louisiana and to many working families around the Nation.

Marriage penalty relief is something I have supported, along with Members on both sides of the aisle. It is time that we make adjustments to this particular problem in the Tax Code.

I also am pleased to see the estate tax reform and repeal as a part of this tax package. And particularly for Louisiana and for so many States, the college savings plan withdrawals, making them tax free, gives a lot of hope and encouragement to help people in Louisiana and all through this Nation begin early to set aside money for their children's education. A good, solid education through college is an excellent way to give the foundation for someone's success in life. In this new global economy with new technologies and the importance of skills, having a good, solid education is important. We have been debating many different aspects of education. I think the college savings plan is a very good feature in this bill.

There are some serious problems with it. It is backloaded. I wish the 15-percent tax bracket could have been reduced and addressed. There is a smaller amount of stimulus than I think is wise, given the slowdown in the economy. I will make a decision about how I am going to vote on this bill, based on the pros and cons, on Monday when we have the final vote. But I want to suggest tonight that there is one amendment that really should be added. It should be included. It is somewhat glaring that it is not. The chairman knows this, and the ranking member. The amendment I am speaking about is the renewal and doubling extension and fixing of the adoption tax credit, a tax credit that has been so broadly accepted and enthusiastically supported by many Members of this body.

Just today, in fact, over 300 Members of the House of Representatives voted affirmatively for the Hope for Children tax credit relief. I offer this amendment on behalf of myself and the Senator from Idaho, Mr. CRAIG. There are a number of other cosponsors. I would like to mention Mrs. CLINTON, the Senator from New York, and others who have supported this particular provision.

This amendment would extend the \$5,000 tax credit, doubling it to \$10,000.

One of the things we must remember is, if we do not fix this tax credit now, it expires, not next year, not 2 years from now, as some of the other tax measures we are speaking about, but it expires in December of this year. So in 7 months this tax credit that has done so much good for people in this country is set to expire.

The other reason to support it is there is overwhelmingly enthusiastic bipartisan support for it.

The third really good reason is that it is so cost effective. It is such a small amount of money relative to the overall package that I am certain we can find a way, if we find the will to include this in this package.

There were over 125,000 children adopted last year; 15,000 children came to this country from another place in the world. Those places were quite grim. I have been to many of them. Some of these children were taken off hospital floors. Some of these children were found starving. Some of these children were found sick. Some of these children were found with an inability to walk, some could not see, some could not hear. But a family, a mother, a father in this country said: I will take that child, at great expense, and I will raise that child and do something good for the world and do something good for our family and do something wonderful for this child.

There were over 100,000 children who were adopted by American families. Some of these children were healthy. All of these children were beautiful. All children are beautiful and should be loved and cared for and nurtured.

Some of these children have great and special needs. I have seen children who have been adopted who have no limbs, who cannot see. Children have been adopted who have a very short lifespan. But because the heart of people is so great and their generosity so tremendous, homes and hearts have been opened, families have been built, children have been given hope, and parents who were desperate for children and could not have them have had their dreams come to reality.

The least we can do in this body, as we debate this \$1.35 trillion tax cut, is to add one-third of 1 percent to make this tax credit real, to extend it so it does not just go away, and to double it so it really can help as these expenses rise, and to fix it so it works for children who are being adopted out of foster care.

I know my time is coming to an end. I say in closing, there are today 500,000 children—a half a million children—who have been removed from their homes because of abuse and neglect. There are 100,000 of those 500,000 whose parental rights have been terminated. If we don't work a little harder and a little better to fix our court system, to support our social workers, to give our judges the support they need, and to help where we can—and this is one way to build in our Tax Code an incentive to help some of these children get

adopted and to help parents bear the tremendous expenses associated—I think we will be making a grave mistake and missing a wonderful opportunity.

I urge Members of this body to consider this carefully. It doesn't cost a lot. It will bring a great deal of joy and hope and happiness to children and families everywhere. It is something we can do, and as Mr. GRAMM, the Senator from Texas, said when we discussed this last year, it really is a shame that this tax cut is scored in a way that costs us, because if you think about it, this is a great savings to the taxpayer, because when children are adopted out of foster care, or when children are adopted who are for some reason not wanted, or their families want them but they cannot raise them so someone else takes that child and raises that child and nurtures that child, I promise you there is \$100,000 or more savings to the taxpayer by the little \$10,000 we give in the credit.

We save hundreds of thousands of dollars because these children do not end up in special education or in the hospital or in jail or in a mental health ward. Why? Because they have parents to love them and care for them. So while the committee has given me a score on my tax credit, I have argued, and I think I could be supported in a court of law, this tax credit is a great savings to this Government. For every child we can get adopted, we don't have to pick up the expenses for them. I think it is what God wants us to do. I am positive it is the right thing to do. I thank my colleagues for giving me this time to offer it. I hope we can find a way to do this.

I yield my time.

Mr. CRAIG. Mr. President, I am glad to join my colleague and cochair of the Congressional Coalition on Adoption, Senator LANDRIEU, in offering this amendment to the tax relief bill.

Our amendment will renew two expiring provisions of the Tax Code that are critically important to American families: the adoption tax credit and the exclusion for employer-provided adoption benefits. It will also modernize and improve these provisions, in response to what we have learned families really need and want in this area.

Not a week goes by that I don't get a call, or an e-mail, or a visit from someone telling me what a help the adoption tax credit is to them, and how important it is for Congress to renew it. As my colleagues all know, this credit was added to the Tax Code in 1996, following years of effort. The idea was to allow families to keep a little more of their own hard-earned money to help absorb the extraordinary costs of adoption.

Since these adoption tax benefits have gone into effect, tens of thousands of families have claimed it. More important, that means tens of thousands of children have, in part because of this tax credit, found loving, permanent adoptive homes.

Yet there are many, many children still waiting for that happy outcome—more than 100,000 in America, and more around the world, and the adoption tax credit will expire at the end of this year. Furthermore, in looking at how the credit has worked since 1996, we have discovered that not all families are equally able to use the tax credit to help them cope with the true costs of adoption.

That is why at the beginning of this Congress, we introduced S. 148, the Hope For Children Act, to extend and improve the tax credit so that it can continue to help Americans form families through adoption. That bill is cosponsored by seventeen of our colleagues, representing a wide political and geographic spectrum; the House of Representatives unanimously passed their version of the bill earlier today; and the bill has won the support of all segments of the adoption community. It is this bill, the Hope For Children Act, that is reflected in the amendment we are offering today.

There are families who are sitting at the kitchen table today, trying to figure out if they can afford to open their hearts and homes to a child through adoption. Let us send a strong message of hope to those families, and to the thousands of waiting children, by passing this amendment.

The PRESIDING OFFICER. The Chair recognizes the Senator from Iowa.

Mr. GRASSLEY. Mr. President, adoption is the right thing, at least as opposed to foster care. As I have been working on adoption issues for a long period of time, there is one thing I hear from kids who have been floating from one foster home to another, who have been in the system for a long period of time. What they want is a mom and a dad. What they really are saying is they want some permanency.

One of the greatest sins of governmental policy is in the adoption and foster care area, where people grow all the way through their teenage years and get to be 18 and are adults and never have a mom and a dad.

Every child has a right to grow up in a safe and loving home. I hope my work on the Adoption and Safe Families Act, which succeeded in shortening the time lines for children in foster care, is a major effort towards this goal that we all seek.

Included in the Adoption and Safe Family Act was a provision I authored to break down barriers when a family living in one jurisdiction wants to adopt a child in another jurisdiction.

I compliment Senator LANDRIEU. She has been steadfast in her advocacy for adoption. Senator CRAIG has joined her to make adoption tax incentives a very strong bipartisan objective. I have been pleased to join these two distinguished Senators in the past on efforts they have made in this direction. I don't know what the future holds exactly, but I promised the Senator from Louisiana I would work with her and Sen-

ator CRAIG on their amendment and see what, if anything, we can do. We will have the weekend and Monday to work on that. Hopefully, we can accommodate in some way.

Ms. LANDRIEU. Thank you, Mr. Chairman.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I very much appreciate the comments of both the Senator from Louisiana and the Senator from Iowa. This is a very fine amendment for lots of reasons, as has already been articulated here. I think we can find a way to get this done. I compliment the Senators.

We know lots of families who would love to adopt a child. How wonderful it is for the families to be able to adopt a child. It means a great deal for the parents to have those children. So many people want to have children and just cannot. I thank the Senator for what she is doing.

Ms. LANDRIEU. I thank the Senator very much.

The PRESIDING OFFICER (Mr. GRASSLEY). I thank the Senator.

The Senator from Florida, Mr. GRAHAM, is the next Senator to be recognized to offer an amendment.

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER. If the Senator from Florida will withhold, the Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I would just like to say that on an earlier amendment I got a little carried away in being critical of it. In fact, I even suggested the amendment was more of a message amendment. I do recognize that, frankly, it was a very good-faith effort to meet a real concern; namely, whether we can meet our fiscal responsibilities as we look to see whether these budget surpluses materialize or not.

I do still think the amendment is not a good one, but not because it is not well intended. It is very well intended. The authors have worked very long and hard to try to figure out a way to make it work. But I think it is too complicated. It is more in the nature of a Rube Goldberg solution. But it is very well intended.

I compliment the Senators who offered that amendment and tell them I respect their effort efforts. I just apologize to those Senators if they took personal offense at my earlier comments.

The PRESIDING OFFICER (Mr. HUTCHINSON). The Senator from Florida.

Mr. GRAHAM. Mr. President, I request that I be notified when I have used 3 minutes of my time.

The PRESIDING OFFICER. The Chair will do so.

AMENDMENT NO. 687

Mr. GRAHAM. Mr. President, this is the first of two amendments I will offer this evening. This amendment goes to the basic structure of the kind of approach Congress should take to reducing our Nation's taxes. I support a sig-

nificant tax bill. I do not support the bill that is before us this evening.

The second amendment I will offer will go to one of the reasons I do not support the bill, a specific defect which I think is illustrative of other defects within this legislation.

The amendment we offer first raises two basic questions: Should we have a single tax bill that will absorb all of the funds which this Congress has determined are appropriate to allocate to tax cuts for the next 11 years? And are we so prophetic that we can decide in May of 2001 what our total tax policy should be through the year 2011?

As smart as we might be, I do not think we can meet that test.

So I, with my colleague, Senator CORZINE, will argue that we should have a series of tax bills: A bill today, yes—a pause, a time for reflection, a time for examination of our economic circumstances, a time to reevaluate our surplus for the future—and then a thoughtful determination as to whether, for what purpose, and in what amount we should have a second tax bill.

Why is this approach of one-at-a-time, rather than one, period, a more appropriate direction? First, there is the unreliability of an 11-year projection of surpluses. That issue has been discussed at length in several other contexts today. Second, there will be needs, some seen and some unforeseen, which will emerge in the next 11 years, that will justify tax cuts. But if we have already committed all of the resources available for that purpose, we will not be able to attend to those.

One of those needs we have learned about in the last few hours, as the President and the Vice President have announced a new energy strategy for America, much of which is based upon tax reductions in order to create incentives for Americans in various enterprises to act in ways that will be advantageous to the Nation.

And third, one-at-a-time gives us greater assurance that we will not drift into deficits, that we will not repeat in 2001 what we did in 1981.

The PRESIDING OFFICER. The Senator has used 3 minutes.

Mr. GRAHAM. Mr. President, with that introduction, I would like to turn to my colleague and partner in this effort to discuss, if we have a series of tax bills, what should the first tax bill, the tax bill of May 2001 encompass.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. CORZINE. Mr. President, I rise to support my friend and colleague, the senior Senator from Florida.

I very much agree and concur that we would be better served by a series of tax cuts that would provide for understanding where we are in the economy. As we move along in this process, we could fit circumstances much more effectively into that process.

I have some trouble with the overall tax program we are considering. I have trouble with the issues with regard to

how this is formulated for debate. I compliment Senator BYRD for his truly remarkable comments this morning with regard to reconciliation.

That said, there is trouble with the size, trouble with the structure and distribution, but maybe most importantly, as Senator GRAHAM and I are addressing, trouble with the timing.

This tax structure we are about to vote on does too little at a time when we have real needs in a weakening, slowing, and, I think, very fragile economy. Seventy percent of this tax cut comes in the second 5 years, the out-years, and only \$10 billion in the current year, and that is in a \$10 trillion economy. It is one-tenth of 1 percent. It is like throwing a coin in an ocean. It will have little, if any, significant impact on the current state of our economy.

There are real reasons to believe that there is a need for the current stimulus. With the actions and words of the Federal Reserve just this week, with a remarkable additional 50-basis-point cut in interest rates, that is five times this year, with a total 250-basis-point cut, because of their serious concern. And their concern is demonstrated not only by what they have done but by their words when they have reviewed current economic conditions—seeing a decline in employment, a rise in the unemployment rate, weakness in productivity numbers, which have been so much a part of suggestion that we have this great surplus.

There has been a real undermining of one of the major sectors of our economy in technology, but also it has moved very substantially into our manufacturing sector. And there are concerns about overseas economic growth, which will have a very important impact on our external accounts. There are many signs in our economy that give one great pause for concern about the fragility of our economy and its direction. We need a stimulus now.

I think the program that the senior Senator from Florida has talked about in the Finance Committee, and we have discussed in this Chamber for now 2 months, is an insurance policy that is fundamental to working hand in hand with the Federal Reserve to make sure we have a strong economy going forward.

Those rising tides do lift all boats. A strong economy is the best way to make sure all Americans benefit from our fiscal policy and how we manage our economic affairs.

So I stand strongly in support of the approach Senator GRAHAM will outline.

Thank you very much, Mr. President.

Mr. GRAHAM. Mr. President, how much time remains?

The PRESIDING OFFICER. Seven and a half minutes remain.

Mr. GRAHAM. Mr. President, I will briefly outline the plan that the Senator from New Jersey and I have developed which we think meets the test of an economic insurance policy. We underscore the words "insurance policy."

No one, frankly, knows what is over the horizon for the American economy. As the Senator from New Jersey just outlined, there are enough signs of concern, signs that would raise apprehension, that a prudent family would say this is a time to buy an insurance policy that will protect us, that will begin to shift the risk, to the degree possible, of a possible economic decline. We are suggesting what the elements and the specifics of that economic insurance policy should be.

We think it needs to be immediate. We are proposing that our bill take effect as of January 1, 2001, and that the benefits in this calendar year would be fully available in this calendar year.

Second, it needs to be frontloaded. One of my criticisms of the bill before us, which talks about being an economic stimulus bill, is that the total amount of tax relief that will be distributed in the form of marginal rate reductions in this fiscal year 2001 is less than \$10 billion, in an economy approaching \$8 trillion—in my judgment, a clearly inadequate commitment if we are serious about buying an economic insurance policy.

We think it needs to be a substantial commitment. We have suggested that the substantial commitment would be in the range of \$60 billion in the year 2001 and in every year into the future.

Economic experts from some of the most prestigious governmental and nongovernmental agencies in the country have told us they believe that a \$60 billion stimulus this year would increase gross domestic product by between one-half and three-quarters of 1 percent, everything else being unaffected. We think that is a significant amount of economic growth at a time when that growth has substantially declined.

We believe this should be placed in the hands of those Americans most likely to spend it. So we build upon a concept that is in the President's budget or the President's tax bill, and that is the addition of a 10-percent rate. But we alter the President's proposal in two critical regards. First, his 10-percent rate doesn't go fully into effect until the year 2006. Ours is fully in effect as of January 2001.

Second, his 10-percent rate covers the first \$6,000 of taxable income for a single person; \$12,000 for a married couple. We would increase those numbers to \$9,500 for a single American, and \$19,000 for a family.

What would that mean for an American family, every American family that is earning \$19,000 or more up to the richest American in the country? It would mean a \$950 savings in their income tax. We think that is a significant amount of money, \$35 every bi-weekly pay period, \$35 that would be going into the pocket of that American family to buy clothes for their children, to make a downpayment on a refrigerator, all of the things they might want to use that money for, which is exactly what we need them to do in

order to stimulate a demand starved economic decline.

We also believe this plan needs to be simple. Complexity works against being able to get these funds into the hands of the Americans quickly enough to make a difference. We believe the critical quarters are going to be the last quarter of this fiscal year and the first quarter of 2002. That is the last 6 months of calendar 2001. That is the 6-month period we need to impact. That is the 6-month period in which we will be putting \$60 billion into the pockets of American families. We think that is a true economic insurance policy.

If you believe the principle of let's go one step at a time in prudently shaping our tax policy, as opposed to feeling that we have to throw a 100-yard-pass tax bill tonight that will govern us for the next 11 years and that the prudent first tax bill should be one that would relate to the primary challenge facing Americans today, which is the concern of a declining economy, an economy that might drift into a recession or a recession which could be deep and prolonged, then we have the opportunity today in this tax bill to play a positive role to ensure against those negative events.

I urge the amendment be adopted, and I send the amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Florida [Mr. GRAHAM], for himself, Mr. CORZINE, and Mr. DAYTON, proposes an amendment numbered 687.

Mr. GRAHAM. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To provide for a substitute amendment which amends the Internal Revenue Code of 1986 to provide for a 10-percent income tax rate bracket)

Strike all after the first word and insert the following:

1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the "Economic Insurance Tax Cut of 2001".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) SECTION 15 NOT TO APPLY.—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

SEC. 2. 10-PERCENT INCOME TAX RATE BRACKET FOR INDIVIDUALS.

(a) RATES FOR 2001.—Section 1 (relating to tax imposed) is amended by striking subsections (a) through (d) and inserting the following:

"(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of—

"(1) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and

“(2) every surviving spouse (as defined in section 2(a)), a tax determined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$19,000	10% of taxable income.
Over \$19,000 but not over \$45,200	\$1,900, plus 15% of the excess over \$19,000.
Over \$45,200 but not over \$109,250	\$5,830, plus 28% of the excess over \$45,200.
Over \$109,250 but not over \$166,500	\$23,764, plus 31% of the excess over \$109,250.
Over \$166,500 but not over \$297,350	\$41,511.50, plus 36% of the excess over \$166,500.
Over \$297,350	\$88,617.50, plus 39.6% of the excess over \$297,350.

“(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$14,250	10% of taxable income.
Over \$14,250 but not over \$36,250	\$1,425, plus 15% of the excess over \$14,250.
Over \$36,250 but not over \$93,650	\$4,725, plus 28% of the excess over \$36,250.
Over \$93,650 but not over \$151,650	\$20,797, plus 31% of the excess over \$93,650.
Over \$151,650 but not over \$297,350	\$38,777, plus 36% of the excess over \$151,650.
Over \$297,350	\$91,229, plus 39.6% of the excess over \$297,350.

“(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 7703) a tax determined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$9,500	10% of taxable income.
Over \$9,500 but not over \$27,050	\$950, plus 15% of the excess over \$9,500.
Over \$27,050 but not over \$65,550	\$3,582.50, plus 28% of the excess over \$27,050.
Over \$65,550 but not over \$136,750	\$14,362.50, plus 31% of the excess over \$65,550.
Over \$136,750 but not over \$297,350	\$36,434.50, plus 36% of the excess over \$136,750.
Over \$297,350	\$94,250.50, plus 39.6% of the excess over \$297,350.

“(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—There is hereby imposed on the taxable income of every married individual (as defined in section 7703) who does not make a single return jointly with his spouse under section 6013, a tax determined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$9,500	10% of taxable income.
Over \$9,500 but not over \$22,600	\$950, plus 15% of the excess over \$9,500.
Over \$22,600 but not over \$54,625	\$2,915, plus 28% of the excess over \$22,600.
Over \$54,625 but not over \$83,250	\$11,882, plus 31% of the excess over \$54,625.
Over \$83,250 but not over \$148,675	\$20,755.75, plus 36% of the excess over \$83,250.
Over \$148,675	\$44,308.75, plus 39.6% of the excess over \$148,675.”

(b) INFLATION ADJUSTMENT TO APPLY IN DETERMINING RATES FOR 2002.—Subsection (f) of section 1 is amended—

(1) by striking “1993” in paragraph (1) and inserting “2001”,

(2) by striking “1992” in paragraph (3)(B) and inserting “2000”, and

(3) by striking paragraph (7).

(c) CONFORMING AMENDMENTS.—

(1) The following provisions are each amended by striking “1992” and inserting “2000” each place it appears:

- (A) Section 25A(h).
- (B) Section 32(j)(1)(B).
- (C) Section 41(e)(5)(C).
- (D) Section 42(h)(3)(H)(i)(II).
- (E) Section 59(j)(2)(B).

- (F) Section 63(c)(4)(B).
- (G) Section 68(b)(2)(B).
- (H) Section 132(f)(6)(A)(ii).
- (I) Section 135(b)(2)(B)(ii).
- (J) Section 146(d)(2)(B).
- (K) Section 151(d)(4).
- (L) Section 220(g)(2).
- (M) Section 221(g)(1)(B).
- (N) Section 512(d)(2)(B).
- (O) Section 513(h)(2)(C)(ii).
- (P) Section 685(c)(3)(B).
- (Q) Section 877(a)(2).
- (R) Section 911(b)(2)(D)(ii)(II).
- (S) Section 2032A(a)(3)(B).
- (T) Section 2503(b)(2)(B).
- (U) Section 2631(c)(2).
- (V) Section 4001(e)(1)(B).
- (W) Section 4261(e)(4)(A)(ii).
- (X) Section 6039F(d).
- (Y) Section 6323(i)(4)(B).
- (Z) Section 6334(g)(1)(B).
- (AA) Section 6601(j)(3)(B).
- (BB) Section 7430(c)(1).

(2) Subclause (II) of section 42(h)(6)(G)(i) is amended by striking “1987” and inserting “2000”.

(d) ADDITIONAL CONFORMING AMENDMENTS.—

(1) Section 1(g)(7)(B)(ii)(II) is amended by striking “15 percent” and inserting “10 percent”.

(2) Section 1(h) is amended by striking paragraph (13).

(3) Section 3402(p)(1)(B) is amended by striking “7, 15, 28, or 31 percent” and inserting “5, 10, 15, 28, or 31 percent”.

(4) Section 3402(p)(2) is amended by striking “15 percent” and inserting “10 percent”.

(e) DETERMINATION OF WITHHOLDING TABLES.—Section 3402(a) (relating to requirement of withholding) is amended by adding at the following new paragraph:

“(3) CHANGES MADE BY SECTION 2 OF THE ECONOMIC INSURANCE TAX CUT OF 2001.—Notwithstanding the provisions of this subsection, the Secretary shall modify the tables and procedures under paragraph (1) through the reduction of the amount of withholding required with respect to taxable years beginning in calendar year 2001 to reflect the effective date of the amendments made by section 2 of the Economic Insurance Tax Cut of 2001, and such modification shall take effect on the first day of the first month beginning after the date of the enactment of such Act.”

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(2) AMENDMENTS TO WITHHOLDING PROVISIONS.—The amendments made by paragraphs (3) and (4) of subsection (d) shall apply to amounts paid after December 31, 2000.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I wonder if I could reserve the time on this amendment. The Senator had another amendment he was going to offer.

Mr. GRAHAM. Yes.

Mr. GRASSLEY. Would the Senator proceed to that right away.

AMENDMENT NO. 688

Mr. GRAHAM. Mr. President, the second amendment I have is not of the broad sweep of the amendment we have just been discussing, but it points out, maybe as a metaphor, some of the problems in this legislation. This bill proposes to repeal the estate tax in the year 2011. That same proposal was made by President Bush with a big difference.

The estate tax is a shared source of income. The States get approximately 20 percent of the estate tax which is collected at the Federal level; 80 percent stays in the National Treasury. What President Bush had suggested was that there be an equal phase-out of the State share and of the Federal share. That is not what is in the bill before us tonight, unfortunately.

What we have before us tonight is a bill which would say that beginning January 1, 2002, just a little more than 7 months from now, the State share would be cut in half. Then it says that there will be gradual further reductions and then January 1, 2005, the State share would be zero.

The Federal share, on the other hand, continues in effect until the year 2011. So effectively, what we are saying, with apparently no consultation with our brethren in the States, is that they are going to take the hit first because we are the ones who decide who has to carry the burden first. I think that is egregiously unfair in our Federalist system. It also is going to put States in this position.

I was talking earlier today with the former Governor of Ohio, our colleague, Senator VOINOVICH. Ohio is one of a number of States which has a biennial budget; that is, they develop a budget, and it lasts for 24 months. They will be starting their next 24-month period on July 1 of this year.

What we are going to say is they are going to build a 2-year budget predicated on receiving their share of the Federal estate tax. They are going to find that 6 months into a 24-month period half of that money has evaporated because we have elected to make them our friends and fellow colleagues in this wonderful Federal system. We have made them have their share of the estate tax cut occur, in this case, 10 years before the Federal share of reduction really begins to kick in and totally 6 years before the Federal reduction becomes fact.

What policy rationale can there be for us to treat the 50 States in the way that this bill purports to do?

The amendment I have offered will get to exactly the same destination. The estate tax will be repealed. There will be zero income for the States. There will be zero income for the Federal Government because there won't be any tax to produce any income. But it does what the President has suggested—that we do it fairly; that both sides of this partnership, both husband and wife, share equally and proportionately in the decline of their revenue.

There are many of us who pride ourselves on being Jeffersonian Federalists. We believe in local government. We vote to send more responsibilities down to local governments. We are about to change our labels. We are becoming situational Federalists. We want the States to have more local control when it is to our benefit. But now that we have this opportunity to essentially raid their income, because

they are not going to be up here voting, other than those of us who represent our constituents in the States—of course, the U.S. Senate was peculiarly established to be the representatives of the interests of States, so we ought not to be the body leading this way. We should not be the body fighting the recommendation of President Bush to be fair and equitable. We should be the body which is expressing its recognition of the importance of the States and the relationship with the National Government.

This proposal, in my judgment, goes 180 degrees in the opposite direction. So my amendment is simple. It says, yes, we are going to repeal the estate tax; yes, we are going to do it in the same number of years as has been suggested; but we are going to treat both sides of this partnership—the States and the Federal Government—equally and proportionately as we do so.

I urge adoption of this amendment.

Mr. President, I send the amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Florida [Mr. GRAHAM] proposes an amendment numbered 688.

Mr. GRAHAM. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To provide a reduction in State estate tax revenues in proportion to the reduction in Federal estate tax revenues)

Beginning on page 64, line 17, strike all through page 66, before line 2, and insert:

Subtitle B—Reduction of Gift Tax Rate

SEC. 511. REDUCTION OF GIFT TAX RATE AFTER REPEAL.

On page 66, line 2, strike “(d)” and insert “(a)”.

On page 67, line 1, strike “(e)” and insert “(b)”.

Beginning on page 67, line 12, strike all through page 68, line 6, and insert:

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to gifts made after December 31, 2010.

On page 68, strike the table between lines 14 and 15, and insert:

“In the case of estates of decedents dying during:	The applicable exclusion amount is:
2002 and 2003	\$1,000,000
2004, 2005, and 2006	\$2,000,000
2007, 2008, 2009, and 2010	\$3,000,000.”.

Beginning on page 70, line 20, strike all through page 79, line 6.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, the State death tax credit is one of the last vestiges of revenue sharing. The State has a luxury of not having an estate tax and just waiting for a portion of the Federal estate tax to be allocated to the State treasury.

What we have tried to do in this mark is, in a fair way, allow the States to review the concerns of their citizens,

and if they want to have their own death tax, then any tax paid to the States will be fully deductible on the final return. This will be phased in over the next 5 years, and it will be phased in over the next 5 years until repealed. In fact, the tax money will be paid out over the next 7 years.

The States will have plenty of time for their legislatures to meet and decide on a State-by-State level if they want to maintain the death tax.

Unlike the House amendment by Congressman RANGEL, we did not repeal the credit immediately. But if the Federal Government does not collect the money, it is not ours to share. State death tax credit current law states up to \$2.5 million. The rate is 8 percent. Total tax is \$146,800. Our relief act before us—the act of 2001—is identical. The top rate of 16 percent is only collected on estates over \$10 million. The number of Florida estates, for example, over \$10 million is 126. The number of Iowa estates over \$10 million is 22.

In addition, at the expense of the American taxpayers, the Senator from Florida is taking care of State governments. He postpones the unified credit increase for years. The act before us gives a \$3 million credit by the year 2005. The Senator postpones \$3 million until the year 2007, and he never reaches \$3.5 million or \$4 million at the expense of the American taxpayers.

So I think it is very important that we take a good look at this. Again, I want to remind everybody that we have tried to—in this estate tax provision of this bill, the phasing out of the estate tax is a controversial issue, even with those of us who have agreed to this bipartisan agreement. But what is not controversial is the way in which this bipartisan portion of our overall legislation, the estate tax provision, was worked out—very carefully, in a nonemotional, nonpolitical way, between Senator LINCOLN on the one hand—she is a Democrat—and Senator KYL on the other hand, being a Republican—working these things out. And except for those who do not believe there should be any total repeal of the estate tax, even in the year 2001, this was a well-accepted compromise that is in this mark.

Obviously, this provision by the Senator from Florida detracts from that. That is why we ask that it be defeated when we vote on it Monday.

I yield the floor.

The PRESIDING OFFICER. The Senator from Florida is recognized.

Mr. GRAHAM. How much time remains?

The PRESIDING OFFICER. Nine minutes, 20 seconds.

Mr. GRAHAM. Parliamentary inquiry: If we do not use all of our time this evening, will we have any of that time available on Monday prior to the actual consideration of these amendments or do we use it or lose it without using it tonight?

The PRESIDING OFFICER. Under the unanimous consent agreement,

there is no provision for additional time. However, there is time for debate on the bill.

Mr. GRAHAM. So the answer is, if we don't use the time available tonight, it will not be carried over until Monday.

The PRESIDING OFFICER. The Senator is correct.

Mr. GRAHAM. That is not a threat to use all 9 minutes but a small sliver.

The PRESIDING OFFICER. The Senator has that right.

Mr. GRAHAM. Mr. President, I have great regard for Senator GRASSLEY. I know how hard he has worked on this bill, as he has on other issues. As he said earlier tonight, he is prepared to work on issues such as prescription drugs for Medicare. I appreciate that, and I have enjoyed the many times we have been colleagues to achieve public policy objectives.

I just say I think this is one of those issues on which maybe we have to agree to disagree. This is not a new relationship. Since 1924, the States have been participating with the Federal Government in the estate tax, and 35 States have no other estate tax than the share they get through their participation in the Federal tax. In fact, in my State, it is in the State constitution that the only estate tax that can be collected is that which comes as a State credit on the Federal estate tax.

So while it might appear to be easy for the States as we are repealing the estate tax, it is obviously not going to be easy and for some States virtually impossible.

I go back to the example Senator VOINOVICH gave to me earlier today of his own State, which is a binding budget situation. They had written their budget, or are about to, for 24 months beginning July 1 of this year, and now they are going to lose approximately half—we do not have the exact State-by-State numbers, but a significant percentage of this source of revenue. That is a very difficult fiscal position for us to put our friends and colleagues in the 50 States in and I think unnecessarily.

President Bush had recommended this reduction be done proportionately. I, frankly, assumed it was being done proportionately until someone pointed out that we were deviating from what the President had recommended. I believe this is kind of a “gotcha” approach to the States as they are so deep into already committing themselves for at least 1 and maybe 2 fiscal years. In the case of my State, our legislature finished its business on May 4 or 5, with the budget to go into effect on the first of July. It has in it approximately \$775 million as our State's share of the estate tax. Almost half of that is going to evaporate as of the first of January, halfway through the fiscal year.

The irony of this is that we talk about we want to do something for the American taxpayer. The American taxpayer pays taxes at all levels of government. If we take a substantial share of

this source of revenue away from the States in a precipitous move for which they have been unable to plan, what are the States going to do? Are they going to have to raise property taxes to fill the gap? Are they going to have to raise sales taxes to fill the gap? Are they going to have to find some other source of revenue or begin well into their fiscal year to make significant cuts in services? And what is the service that States provide?

For my State and most States, half or more of the total State revenue is spent on one function. What is that function? We ought to know it well because we just spent the last 2 weeks talking about how committed we were to it. What is the function? Education. That is what States do with over half of their money.

If we think it is important for us to spend 2 weeks debating the 7 percent of public education which is financed from Washington, we certainly deserve to spend some time discussing the approximately 55 percent of education which is paid by the States. The balance between the Federal 7 and the State's 55 is what is paid at the local level, largely through property taxes.

We seem to be, at least in the amount of attention that is being given to this, indifferent to what we are doing to our American taxpayers in terms of their State responsibilities and what we are doing to American education by destabilizing the primary source of financing for American education, which is the 50 States.

Mr. President, hoping that I have not used all of the 9 minutes, I will conclude by saying I think this is going to be a test of whether we really are serious, committed Federalists and think that respect and dignity across levels of government is an important part of the oil that makes this very intricate Federal system work and that indifference, bordering on rudeness, toward the States is what could cause it to begin to grind the gears.

I believe the adoption of this amendment, which is the proposal made by President Bush, which is a proposal that gets to exactly the same destination as the advocates of repeal of the estate tax would do but do it in a fair and equitable manner as between our 50 States and our Federal Government, is an extremely important statement of our commitment to federalism. I urge the adoption of this amendment when it comes for a vote on Monday.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I will take a couple minutes, and then I believe we are done.

To respond in a short fashion to what the Senator from Florida said, we have 14 States that have a separate inheritance tax. In addition, the tax due to the State will continue to be paid through the year 2007.

The repeal basically happens because we increase the unified credit so rapidly, and this is a direct result of the

American taxpayers having spoken by the thousands that they want immediate relief.

The President of the United States in his proposal did his death tax repeal with \$260 billion. The bill before us does it with \$145 billion.

The President does not increase the unified credit. So, yes, his plan is a proportionate reduction, but the Senate and the taxpayers wanted immediate relief, and that is why we end up where we are.

Obviously, there are problems for some Senators. I respect their objection, but we did it in the best way we could in a compromising fashion, trying to do as much as we could with a lesser amount of money than what the President was trying to do in his tax program, and do it in a bipartisan fashion.

As we end this evening's debate, and we will continue it Monday with votes well into Monday evening to finish this bill, I hope I can speak for people who have wanted to see a tax bill passed, and that includes Senator BAUCUS and me, that we have defeated amendments that have come before this body to change this legislation.

If we had taken the second alternative of bringing this bill before this body, that second alternative would have been perhaps—if we had been fortunate—a Republican-only measure that would have been voted on in committee 10-10. I believe a lot of the amendments we defeated today would have been adopted.

We brought a bipartisan bill out of committee 14-6. We have had quite a few bipartisan votes today. I hope people who are reflecting upon what they want in a tax bill, if they have what they want without the bipartisan cooperation—when I say “what they want,” again I remind everybody this is a work of compromise—more importantly, bipartisan compromise—so nobody has really gotten what they want. But I know there is more of an urgency on my side for the reduction of marginal rates than there is maybe on the other side.

It could be that people on my side do not like the 36 percent that I agreed to with Senator BAUCUS, but looking at some of these votes, and particularly how hard Senator BAUCUS was working to make sure this bipartisan position won, without that, some of these amendments, and maybe a lot of others, would have been adopted.

I say that because there is Friday, Saturday, and Sunday to think about this before we adopt a final bill, and then there is Tuesday and Wednesday—and maybe not even that much time—to work on a conference report with which Senator BAUCUS is going to be involved. We have to think in terms of what is possible to get through here when it comes out of conference.

I don't really know how to end this except to say that we worked hard for 4 months to get where we are. I hope people realize what we have put to-

gether has been sustained. We ought to think about that as people who may not be totally satisfied with what we are going to pass in the Senate try to use the rest of the process to gain something that is not doable in the final analysis.

I would like to have everybody think between now and when that conference committee has to end sometime not too far down in the future, to be a little bit realistic. I think I have been realistic. I think Senator BAUCUS has been realistic or we wouldn't be here in the first place. For sure, we wouldn't be here sustaining this mark the way we have.

I ask my colleagues, particularly on my side of the aisle, to think of this for the next few days.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I urge the Senate to heed the wise words of the chairman of the committee. They were important. That is, in the final analysis, this will come down to whether there are 51 votes to adopt the conference report. This is an evenly divided Senate, 50/50, for all intents and purposes. I am sure the Vice President can break the tie, but it is basically 50/50 and it comes down to whether there are 50 or 51 votes.

I do believe very strongly that the bill we are working on today is a very significant improvement from my point over what we otherwise would be passing in this body and that it is a bill very similar to that offered by the President and passed by the House.

This bill before the Senate today is much better in terms of distribution, child tax credit, refundability, more for education, tuition deduction provided for, a whole host of provisions. It is a lot better from my point of view and the point of view of the vast majority of Members of this side.

I urge Members, as our very wise chairman has said, to think about this over the next several days, because when we do come back from conference, the conferees are going to have to come up with the result, to sustain not only in the House, which is very easy, but to sustain in the Senate, which is more difficult.

I urge the conferees and I urge Senators to be prudent, wise, and to remember there must be 51 votes in the Senate to adopt a conference report. I commend the chairman of our committee, but particularly Members on my side of the aisle who have offered amendments. There have been good amendments, very well intended, and I wish I could have ordered more of them. I could not, in the view to get a better bill for all Senators, Democrats and Republicans.

I think it is important for all Senators to vote for a tax cut that they think is better than otherwise we would be facing. Some Senators are not going to vote for a tax vote that the conferees will bring back. It will not happen. But I think it is my responsibility to bring back a conference report

for which some Senators on my side of the aisle can vote. It is my hope we can bring back a conference report that does have the support not only of 51 Senators but significantly more than 51 Senators so it truly is bipartisan. That very much depends on the conferees.

I thank my good friend from Iowa who has been so decent and straightforward and honest as the day is long, a very wonderful person. We have more miles to travel, and my expectation is we will travel those in the same spirit of cooperation.

I see my good friend from New Jersey standing ready to leave. I say to my good friend from New Jersey, I appreciate his efforts, particularly on the stimulus amendment. There will be another day when we can adopt very good amendments as proposed by my friends from Florida as well as New Jersey.

LEGISLATIVE SESSION

The PRESIDING OFFICER. The Senate will now return to legislative session.

ORDERS FOR FRIDAY, MAY 18, 2001, AND MONDAY, MAY 21, 2001

Mr. GRASSLEY. I ask unanimous consent that when the Senate completes its business today, it adjourn until the hour of 10 a.m. on Friday, May 18, for a pro forma session only. No business will be conducted during Friday's session of the Senate. I further ask that, on Friday, the Senate immediately adjourn until 9:30 a.m. on Monday, May 21, and immediately following the prayer, the Journal of proceedings be approved to date, the morning hour be deemed expired, the time for the two leaders be reserved for their use later in the day, and the Senate then resume consideration of the reconciliation bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

PROGRAM

Mr. GRASSLEY. For the information of all Senators, the Senate will resume consideration of the reconciliation bill at 9:30 a.m. on Monday. There will be approximately 8 hours for final remarks on the bill and debate on a few amendments. Under the previous order, the Carnahan amendment will be the first vote in a series to begin at 6 p.m. on Monday. Senators may expect numerous votes to follow, including final passage of H.R. 1836, the tax reconciliation bill.

ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. GRASSLEY. Mr. President, if there is no further business to come before the Senate, I ask unanimous consent that the Senate stand in adjournment under the previous order.

There being no objection, the Senate at 11:28 p.m., adjourned until Friday, May 18, 2001, at 10 a.m.

NOTICE

Incomplete record of Senate proceedings. Except for concluding business which follows, today's Senate proceedings will be continued in the next issue of the Record.

NOMINATIONS

Executive nominations received by the Senate May 16, 2001:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ANGELA ANTONELLI, OF VIRGINIA, TO BE CHIEF FINANCIAL OFFICER, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, VICE RICHARD F. KEEVEY.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

LORI A. FORMAN, OF VIRGINIA, TO BE AN ASSISTANT ADMINISTRATOR OF THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT, VICE ROBERT C. RANDOLPH, RESIGNED.

DEPARTMENT OF STATE

PIERRE-RICHARD PROSPER, OF CALIFORNIA, TO BE AMBASSADOR AT LARGE FOR WAR CRIMES ISSUES, VICE DAVID J. SCHEFFER.

CHARLES J. SWINDELLS, OF OREGON, TO BE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA TO NEW ZEALAND, AND TO SERVE CONCURRENTLY AND WITHOUT ADDITIONAL COMPENSATION AS AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA TO SAMOA.

MARGARET DEBARDELEBEN TUTWILER, OF ALABAMA, TO BE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA TO THE KINGDOM OF MOROCCO.

IN THE AIR FORCE

THE FOLLOWING NAMED OFFICERS FOR A REGULAR APPOINTMENT IN THE GRADES INDICATED IN THE UNITED STATES AIR FORCE UNDER TITLE 10, U.S.C., SECTION 531:

To be lieutenant colonel

JEFFREY E. FRY, 0000

To be major

GEORGE A. MAYLEBEN, 0000

IN THE ARMY

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE RESERVE OF THE ARMY UNDER TITLE 10, U.S.C., SECTION 12203:

To be colonel

JOHN R. MATHEWS, 0000
WILLIAM M. MENNING, 0000
KARL C. THOMPSON, 0000

Executive nominations received by the Senate May 17, 2001:

ENVIRONMENTAL PROTECTION AGENCY

ROBERT E. FABRICANT, OF NEW JERSEY, TO BE AN ASSISTANT ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION AGENCY, VICE GARY S. GUZY, RESIGNED.

EXECUTIVE OFFICE OF THE PRESIDENT

ALLEN FREDERICK JOHNSON, OF IOWA, TO BE CHIEF AGRICULTURAL NEGOTIATOR, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, WITH THE RANK OF AMBASSADOR, VICE GREGORY M. FRAZIER.

DEPARTMENT OF STATE

GEORGE L. ARGYROS, SR., OF CALIFORNIA, TO BE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA TO SPAIN, AND TO SERVE CONCURRENTLY AND WITHOUT ADDITIONAL COMPENSATION AS AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA TO ANDORRA.

HOWARD H. BAKER, JR., OF TENNESSEE, TO BE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA TO JAPAN.

THE JUDICIARY

SAM E. HADDON, OF MONTANA, TO BE UNITED STATES DISTRICT JUDGE FOR THE DISTRICT OF MONTANA, VICE CHARLES C. LOVELL, RETIRED.

RICHARD F. CEBULL, OF MONTANA, TO BE UNITED STATES DISTRICT JUDGE FOR THE DISTRICT OF MONTANA, VICE JACK D. SHANSTROM, RETIRED.

DEPARTMENT OF STATE

DONALD BURNHAM ESENAT, OF LOUISIANA, TO BE CHIEF OF PROTOCOL, AND TO HAVE THE RANK OF AMBASSADOR DURING HIS TENURE OF SERVICE, VICE MARY MEL FRENCH.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 17, 2001:

DEPARTMENT OF DEFENSE

VICTORIA CLARKE, OF MARYLAND, TO BE AN ASSISTANT SECRETARY OF DEFENSE.

WILLIAM J. HAYNES II, OF TENNESSEE, TO BE GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE.

EXPORT-IMPORT BANK OF THE UNITED STATES

JOHN E. ROBSON, OF CALIFORNIA, TO BE PRESIDENT OF THE EXPORT-IMPORT BANK OF THE UNITED STATES FOR A TERM EXPIRING JANUARY 20, 2005.

THE ABOVE NOMINATIONS WERE APPROVED SUBJECT TO THE NOMINEES' COMMITMENT TO RESPOND TO REQUESTS TO APPEAR AND TESTIFY BEFORE ANY DULY CONSTITUTED COMMITTEE OF THE SENATE.